

Summary Report of Consolidated Financial Results

for the third quarter ended September 30, 2018

Registered company name: **Canon Marketing Japan Inc.**
 Stock listing: Tokyo Stock Exchange, First Section
 Code number: 8060
 URL: <https://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 nine months ended September 30, 2018 (From January 1, 2018 to September 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	%
Nine months ended								
September 30, 2018	447,923	(1.8)	15,899	(13.6)	17,306	(10.5)	11,551	(7.7)
September 30, 2017	456,245	0.6	18,409	16.1	19,334	14.6	12,515	25.2

[Note] Comprehensive Income: Nine months ended September 30, 2018 : 13,177 million yen [13.1%]

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

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2018	89.09	-
September 30, 2017	96.52	-

(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
Third quarter ended September 30, 2018	495,017	302,906	61.1	2,331.90
Year ended December 31, 2017	510,832	297,522	58.1	2,290.70

[Reference] Shareholders' equity: Third quarter ended September 30, 2018 : 302,371 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 : No

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	620,000	(1.9)	27,000	(11.2)	28,500	(9.5)	19,000	(8.1)	146.53	

[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 September 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 September 30, 2018 :	21,412,516
As of December 31, 2017 :	21,411,513
 - (iii) Average number of shares

As of September 30, 2018 :	129,667,869
As of September 30, 2017 :	129,670,167

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

<p>Disclaimer :</p> <p>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.</p>
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Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2017	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	66,479	73,730
Notes and accounts receivable	125,626	104,319
Securities	70,500	40,500
Merchandise and finished goods	32,076	32,627
Work in process	958	1,104
Raw materials and supplies	836	694
Deferred tax assets	4,062	4,034
Short-term loans receivable	90,014	120,019
Other current assets	7,050	7,945
Allowance for doubtful receivables	(98)	(124)
Total current assets	397,506	384,850
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,825	29,233
Machinery, equipment and vehicles, net	251	250
Tools, furniture and fixtures, net	3,732	3,117
Rental assets, net	11,058	11,081
Land	29,016	28,918
Leased assets, net	116	80
Construction in progress	89	308
Total property, plant and equipment	75,090	72,991
Intangible assets		
Software	5,153	4,359
Lease assets	12	7
Utilization rights	316	316
Other intangible assets	2	2
Total intangible assets	5,485	4,685
Investments and other assets		
Investment in securities	9,027	10,153
Long-term loans receivable	29	31
Net defined benefit assets	404	400
Deferred tax assets	16,203	15,025
Lease deposits	4,880	4,478
Other investments and other assets	2,532	2,842
Allowance for doubtful receivables	(327)	(441)
Total investments and other assets	32,750	32,490
Total non-current assets	113,325	110,167
Total assets	510,832	495,017

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2017	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable	100,940	83,339
Short-term loans payable	147	192
Lease obligations	125	113
Accrued expenses	18,168	13,757
Accrued income taxes	6,289	2,507
Consumption taxes payable	4,586	3,870
Provision for bonuses	3,443	12,902
Provision for directors' bonuses	128	71
Provision for product warranties	487	464
Provision for loss on order received	132	277
Other current liabilities	22,949	19,844
Total current liabilities	157,398	137,340
Long-term liabilities		
Lease obligations	163	130
Deferred tax liabilities	438	-
Allowance for long-term continuous service rewards	961	925
Net defined benefit liabilities	49,604	49,396
Other long-term liabilities	4,743	4,318
Total long-term liabilities	55,911	54,770
Total liabilities	213,310	192,111
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	176,911	180,683
Treasury stock	(31,921)	(31,923)
Total stockholders' equity	301,113	304,882
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,159	3,951
Deferred gains or losses on hedges	6	29
Foreign currency translation adjustments	98	97
Remeasurements of defined benefit plans	(7,345)	(6,589)
Total accumulated other comprehensive income (loss)	(4,081)	(2,511)
Non-controlling interests	490	534
Total net assets	297,522	302,906
Total liabilities and net assets	510,832	495,017

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Nine months of FY2017 (from January 1, 2017 to September 30, 2017)	Nine months of FY2018 (from January 1, 2018 to September 30, 2018)
Net sales	456,245	447,923
Cost of sales	293,665	290,889
Gross profit	162,580	157,034
Selling, general and administrative expenses	144,170	141,134
Operating income	18,409	15,899
Non-operating income		
Interest income	124	153
Dividend income	90	115
Insurance income	546	544
Gain on investments in partnership	-	455
Other non-operating income	384	324
Total non-operating income	1,145	1,593
Non-operating expenses		
Interest expense	9	9
Foreign exchange losses	26	-
Other non-operating expenses	185	177
Total non-operating expenses	220	187
Ordinary profit	19,334	17,306
Extraordinary income		
Gain on sales of fixed assets	864	124
Gain on sales of investments in securities	539	489
Gain on sales of shares of subsidiaries and associates	-	214
Other extraordinary income	63	-
Total extraordinary income	1,467	828
Extraordinary losses		
Loss on sales and disposal of fixed assets	825	257
Loss on impairment of fixed assets	792	15
Loss on valuation of investments in securities	5	94
Special extra retirement payments	100	-
Expenses for restructuring of business bases	-	57
Other extraordinary losses	17	59
Total extraordinary losses	1,740	485
Profit before income taxes	19,060	17,650
Income taxes	6,553	6,044
Profit	12,507	11,606
Profit attributable to non-controlling interests	(8)	54
Profit attributable to owners of parent	12,515	11,551

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Nine months of FY2017 (from January 1, 2017 to September 30, 2017)	Nine months of FY2018 (from January 1, 2018 to September 30, 2018)
Profit	12,507	11,606
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	143	792
Deferred gains or losses on hedges	19	23
Foreign currency translation adjustments	(61)	(0)
Remeasurements of defined benefit plans, net of tax	(952)	756
Total other comprehensive income (loss)	(851)	1,571
Comprehensive income	11,656	13,177
Comprehensive income attributable to		
Owners of parent	11,676	13,122
Non-controlling interests	(20)	55

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Nine months of FY2017 (from January 1, 2017 to September 30, 2017)	Nine months of FY2018 (from January 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	19,060	17,650
Depreciation	10,676	10,196
Loss on Impairment of fixed assets	792	15
Increase (decrease) in allowance for doubtful receivables	(36)	141
Increase (decrease) in net defined benefit liabilities	(838)	947
Decrease (increase) in net defined benefit assets	(190)	(50)
Increase (decrease) in provision for bonuses	10,318	9,467
Interest and dividend income	(214)	(268)
Interest expense	9	9
Loss (gain) on sales and disposal of property, plant and equipment, net	(41)	131
Loss (gain) on sales of investment in securities	(539)	(488)
Loss (gain) on investments in partnership	25	(455)
Decrease (increase) in notes and accounts receivable-trade	18,314	21,087
Decrease (increase) in inventories	(3,640)	(544)
Increase (decrease) in notes and accounts payable-trade	(14,991)	(17,606)
Other, net	(7,730)	(9,035)
Subtotal	30,971	31,197
Interest and dividends received	214	268
Interest paid	(9)	(9)
Income taxes paid	(8,819)	(8,676)
Net cash provided by (used in) operating activities	22,357	22,780
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(8,231)	(8,109)
Proceeds from sales of property, plant and equipment	19,988	255
Payments for purchases of intangible assets	(897)	(1,139)
Payments for purchases of investment in securities	(726)	(668)
Proceeds from sales of investments in securities	822	1,490
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	(242)	(29)
Net cash provided by (used in) investing activities	(19,277)	(37,679)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	147	45
Repayments of finance lease obligations	(153)	(99)
Payments for purchases of treasury stock	(4)	(2)
Dividends paid	(7,133)	(7,782)
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	(7,107)	(7,851)
Effect of exchange rate changes on cash and cash equivalents	(19)	1
Net increase (decrease) in cash and cash equivalents	(4,046)	(22,749)
Cash and cash equivalents at beginning of period	107,285	136,979
Cash and cash equivalents at end of period	103,239	114,230

Consolidated Quarterly Segment Information

I. 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)

	Reportable segment				Other	Total	Adjustment	Consolidated
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	109,117	123,624	183,653	38,045	1,805	456,245	-	456,245
Sales - intersegment	212	7,518	9,761	1,968	3,508	22,969	(22,969)	-
Total	109,329	131,142	193,415	40,014	5,313	479,214	(22,969)	456,245
Operating income (loss)	5,691	5,478	8,007	(1,161)	328	18,344	65	18,409

[Note]

1. Other includes call center business and BPO 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. Nine months of FY2018 (from January 1, 2018 to September 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	96,274	130,579	181,137	37,912	2,019	447,923	-	447,923
Sales - intersegment	68	8,535	9,649	2,124	3,180	23,558	(23,558)	-
Total	96,343	139,114	190,787	40,037	5,200	471,482	(23,558)	447,923
Operating income (loss)	377	6,759	9,235	(625)	122	15,869	29	15,899

[Note]

1. Other includes call center business and BPO 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.

We established the BPO Management Center in July 2018 to strengthen the BPO service business. As a result, the reporting segment for Canon BizAttenda Inc., which engages mainly in the BPO service business, was changed from "Enterprise" to "Other."

Results for fiscal 2017 and segment information for the January - June results in fiscal 2018 are presented after they are prepared based on the classification method applicable after the change.