

Summary Report of Consolidated Financial Results

for the fiscal year ended December 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): March 28, 2019
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the year ended December 31, 2018 (From January 1, 2018 to December 31, 2018)

(1) Consolidated Results of Operations

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

Year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	621,591	(1.7)	28,941	(4.8)	30,519	(3.1)	20,826	0.7
December 31, 2017	632,189	0.5	30,406	9.9	31,491	9.7	20,679	13.9

[Note] Comprehensive Income: Year ended December 31, 2018 : 13,842 million yen [(41.6)%]

Year ended December 31, 2017 : 23,704 million yen [154.0%]

Year ended	Basic earnings per share	Diluted net income per share	Rate of return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
December 31, 2018	160.61	-	6.9	6.0	4.7
December 31, 2017	159.48	-	7.2	6.2	4.8

(2) Consolidated Financial Position

(Amounts less than one million yen are truncated)

Year ended	Total assets	Net assets	Equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2018	498,790	303,570	60.8	2,336.97
December 31, 2017	510,832	297,522	58.1	2,290.70

[Reference] Shareholders' equity: Year ended December 31, 2018 : 303,027 million yen

Year ended December 31, 2017 : 297,031 million yen

(3) Cash Flows

(Amounts less than one million yen are truncated)

Year ended	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2018	16,990	(10,526)	(7,838)	135,571
December 31, 2017	28,885	7,963	(7,145)	136,979

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Annual			
Year ended December 31, 2017	Yen -	Yen 25.00	Yen -	Yen 35.00	Yen 60.00	Yen 7,780	% 37.6	% 2.7
Year ended December 31, 2018	Yen -	Yen 25.00	Yen -	Yen 35.00	Yen 60.00	Yen 7,780	% 37.4	% 2.6
Year ending December 31, 2019 (forecast)	Yen -	Yen -	Yen -	Yen -	Yen 60.00		% 37.2	

(Note) The allocation between 2Q-end and year-end of the annual dividend (forecast) of the fiscal year ending December 2019 is to be determined.

3. Consolidated financial forecast for the fiscal year ending December 31, 2019

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

Full 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
	622,000	0.1	29,500	1.9	30,700	0.6	20,900	0.4	161.18

*Others

(1) Material changes in subsidiaries during this period

(Changes in scope of consolidations resulting from change is subsidiaries) : None

(2) 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

(3) 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 December 31, 2018 : 151,079,972

As of December 31, 2017 : 151,079,972

(ii) Number of treasury stock at the end of fiscal year

As of December 31, 2018 : 21,412,840

As of December 31, 2017 : 21,411,513

(iii) Average number of shares

As of December 31, 2018 : 129,667,717

As of December 31, 2017 : 129,669,783

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated business results for the year ended December 31, 2018 (From January 1, 2018 to December 31, 2018)

(1) Non-Consolidated Results of Operations

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

Year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	475,741	(2.7)	16,148	(18.3)	19,615	(21.2)	16,959	(6.5)
December 31, 2017	489,105	2.0	19,768	22.2	24,881	22.1	18,141	33.5

Year ended	Net income per share	Diluted net income per share
	Yen	Yen
December 31, 2018	130.79	-
December 31, 2017	139.91	-

(2) Non-Consolidated Financial Position

(Amounts less than one million yen are truncated)

Year ended	Total assets	Net assets	Equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2018	495,585	292,521	59.0	2,255.94
December 31, 2017	503,790	283,887	56.4	2,189.33

[Reference] Shareholders' equity:

Year ended December 31, 2018 : 292,521 / Year ended December 31, 2017 : 283,887

Disclaimer :

This report is not subject to audit procedures based on the Financial instruments and Exchange Law in Japan.

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 Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	66,479	65,071
Notes and accounts receivable	125,626	117,041
Securities	70,500	70,500
Merchandise and finished goods	32,076	31,182
Work in process	958	1,191
Raw materials and supplies	836	647
Deferred tax assets	4,062	3,895
Short-term loans receivable	90,014	90,014
Other current assets	7,050	7,792
Allowance for doubtful receivables	(98)	(91)
Total current assets	397,506	387,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,825	28,657
Machinery, equipment and vehicles, net	251	112
Tools, furniture and fixtures, net	3,732	3,059
Rental assets, net	11,058	10,842
Land	29,016	28,918
Leased assets, net	116	63
Construction in progress	89	333
Total property, plant and equipment	75,090	71,987
Intangible assets		
Software	5,153	4,940
Lease assets	12	5
Utilization rights	316	316
Other intangible assets	2	2
Total intangible assets	5,485	5,265
Investments and other assets		
Investment in securities	9,027	7,985
Long-term loans receivable	29	36
Net defined benefit assets	404	304
Deferred tax assets	16,203	19,143
Lease deposits	4,880	4,423
Other investments and other assets	2,532	2,832
Allowance for doubtful receivables	(327)	(432)
Total investments and other assets	32,750	34,292
Total non-current assets	113,325	111,545
Total assets	510,832	498,790

Consolidated Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable	100,940	75,831
Short-term loans payable	147	-
Lease obligations	125	100
Accrued expenses	18,168	16,676
Accrued income taxes	6,289	6,967
Consumption taxes payable	4,586	4,063
Provision for bonuses	3,443	3,437
Provision for directors' bonuses	128	79
Provision for product warranties	487	447
Provision for loss on order received	132	147
Other current liabilities	22,949	22,151
Total current liabilities	<u>157,398</u>	<u>129,903</u>
Long-term liabilities		
Lease obligations	163	116
Deferred tax liabilities	438	29
Allowance for long-term continuous service rewards	961	1,019
Net defined benefit liabilities	49,604	59,887
Other long-term liabilities	4,743	4,264
Total long-term liabilities	<u>55,911</u>	<u>65,317</u>
Total liabilities	<u>213,310</u>	<u>195,220</u>
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	176,911	189,957
Treasury stock	(31,921)	(31,924)
Total stockholders' equity	<u>301,113</u>	<u>314,156</u>
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,159	2,518
Deferred gains or losses on hedges	6	1
Foreign currency translation adjustments	98	75
Remeasurements of defined benefit plans	(7,345)	(13,725)
Total accumulated other comprehensive income (loss)	<u>(4,081)</u>	<u>(11,129)</u>
Non-controlling interests	490	542
Total net assets	<u>297,522</u>	<u>303,570</u>
Total liabilities and net assets	<u>510,832</u>	<u>498,790</u>

Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	FY2017 (from January 1, 2017 to December 31, 2017)	FY2018 (from January 1, 2018 to December 31, 2018)
Net sales	632,189	621,591
Cost of sales	408,417	403,417
Gross profit	223,771	218,173
Selling, general and administrative expenses	193,365	189,231
Operating income	30,406	28,941
Non-operating income		
Interest income	165	197
Dividend income	121	153
Insurance income	549	547
Gain on investments in partnership	-	494
Other non-operating income	493	413
Total non-operating income	1,328	1,807
Non-operating expenses		
Interest expense	12	12
Foreign exchange losses	11	-
Other non-operating expenses	220	216
Total non-operating expenses	244	229
Ordinary profit	31,491	30,519
Extraordinary income		
Gain on sales of fixed assets	879	126
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	1,482	830
Extraordinary losses		
Loss on sales and disposal of fixed assets	898	311
Loss on impairment of fixed assets	1,033	15
Loss on disaster	-	64
Loss on valuation of investments in securities	5	158
Special extra retirement payments	100	-
Expenses for restructuring of business bases	4	57
Other extraordinary losses	13	34
Total extraordinary losses	2,054	641
Profit before income taxes	30,918	30,708
Income taxes-current	9,950	9,893
Income taxes-deferred	272	(77)
Total income taxes	10,222	9,815
Profit	20,695	20,893
Profit attributable to non-controlling interests	15	66
Profit attributable to owners of parent	20,679	20,826

Consolidated Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	FY2017 (from January 1, 2017 to December 31, 2017)	FY2018 (from January 1, 2018 to December 31, 2018)
Profit	20,695	20,893
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	831	(640)
Deferred gains or losses on hedges	20	(4)
Foreign currency translation adjustments	(57)	(25)
Remeasurements of defined benefit plans, net of tax	2,214	(6,379)
Total other comprehensive income (loss)	3,008	(7,050)
Comprehensive income	23,704	13,842
Comprehensive income attributable to		
Owners of parent	23,697	13,779
Non-controlling interests	7	63

Consolidated Statements of Shareholders' Equity

I. FY2017 (from January 1, 2017 to December 31, 2017)

(Amounts less than one million yen are truncated)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasure stocks	Total shareholders' equity
Balance at beginning of current period	73,303	82,820	163,363	(31,914)	287,571
Changes of items during period					
Dividends of surplus			(7,131)		(7,131)
Profit attributable to owners of parent			20,679		20,679
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		0		0	0
Profit attributable to non-controlling interests					-
Dividends paid to non-controlling interests					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	0	13,548	(6)	13,541
Balance at end of current period	73,303	82,820	176,911	(31,921)	301,113

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,328	(14)	147	(9,560)	(7,099)	446	280,919
Changes of items during period							
Dividends of surplus					-		(7,131)
Profit attributable to owners of parent					-		20,679
Purchase of treasury stock					-		(6)
Disposal of treasury stock					-		0
Profit attributable to non-controlling interests					-	15	15
Dividends paid to non-controlling interests					-	(12)	(12)
Net changes of items other than shareholders' equity	830	20	(48)	2,214	3,017	40	3,057
Total changes of items during period	830	20	(48)	2,214	3,017	44	16,603
Balance at end of current period	3,159	6	98	(7,345)	(4,081)	490	297,522

Consolidated Statements of Shareholders' Equity

II. FY2018 (from January 1, 2018 to December 31, 2018)

(Amounts less than one million yen are truncated)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasure stocks	Total shareholders' equity
Balance at beginning of current period	73,303	82,820	176,911	(31,921)	301,113
Changes of items during period					
Dividends of surplus			(7,780)		(7,780)
Profit attributable to owners of parent			20,826		20,826
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		0		0	0
Profit attributable to non-controlling interests					-
Dividends paid to non-controlling interests					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	0	13,046	(3)	13,043
Balance at end of current period	73,303	82,820	189,957	(31,924)	314,156

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,159	6	98	(7,345)	(4,081)	490	297,522
Changes of items during period							
Dividends of surplus					-		(7,780)
Profit attributable to owners of parent					-		20,826
Purchase of treasury stock					-		(3)
Disposal of treasury stock					-		0
Profit attributable to non-controlling interests					-	66	66
Dividends paid to non-controlling interests					-	(11)	(11)
Net changes of items other than shareholders' equity	(640)	(4)	(23)	(6,379)	(7,047)	(3)	(7,050)
Total changes of items during period	(640)	(4)	(23)	(6,379)	(7,047)	51	6,047
Balance at end of current period	2,518	1	75	Δ13,725	Δ11,129	542	303,570

Consolidated Statements of Cash Flows

(Amounts less than one million yen are truncated)

	FY2017 (from January 1, 2017 to December 31, 2017)	FY2018 (from January 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Profit before income taxes	30,918	30,708
Depreciation	14,268	13,281
Loss on impairment of fixed assets	1,033	15
Increase (decrease) in allowance for doubtful receivables	(40)	99
Increase (decrease) in net defined benefit liabilities	(959)	1,228
Decrease (increase) in net defined benefit assets	(206)	(66)
Increase (decrease) in provision for bonuses	(30)	2
Interest and dividend income	(286)	(351)
Interest expense	12	12
Loss (gain) on sales and disposal of property, plant and equipment, net	6	182
Loss (gain) on sales of investment in securities	(539)	(488)
Loss (gain) on investments in partnership	31	(494)
Decrease (increase) in notes and accounts receivable-trade	(1,098)	8,355
Decrease (increase) in inventories	(3,917)	858
Increase (decrease) in notes and accounts payable-trade	(1,812)	(25,105)
Other, net	395	(2,874)
Subtotal	37,774	25,365
Interest and dividends received	285	351
Interest paid	(12)	(12)
Income taxes paid	(9,162)	(8,713)
Net cash provided by (used in) operating activities	28,885	16,990
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(12,070)	(9,905)
Proceeds from sales of property, plant and equipment	21,355	263
Payments for purchases of intangible assets	(1,230)	(2,238)
Payments for purchases of investment in securities	(733)	(677)
Proceeds from sales of investments in securities	880	1,534
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	526
Decrease (increase) in short-term loans receivable, net.	10	(0)
Other, net	(247)	(30)
Net cash provided by (used in) investing activities	7,963	(10,526)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	147	91
Repayments of finance lease obligations	(192)	(135)
Payments for purchases of treasury stock	(6)	(3)
Dividends paid	(7,127)	(7,778)
Dividends paid to non-controlling shareholders	(12)	(11)
Proceeds from share issuance to non-controlling shareholders	49	-
Other, net	(1)	0
Net cash provided by (used in) financing activities	(7,145)	(7,838)
Effect of exchange rate changes on cash and cash equivalents	(9)	(33)
Net increase (decrease) in cash and cash equivalents	29,693	(1,407)
Cash and cash equivalents at beginning of period	107,285	136,979
Cash and cash equivalents at end of period	136,979	135,571

Consolidated Segment Information

I. FY2017 (from January 1, 2017 to December 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
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	165,996	167,653	244,726	51,346	2,466	632,189	-	632,189
Sales - intersegment	292	9,981	13,192	2,793	4,684	30,945	(30,945)	-
Total	166,289	177,635	257,919	54,140	7,150	663,135	(30,945)	632,189
Operating income (loss)	12,670	7,728	11,432	(1,869)	397	30,359	47	30,406
Assets	58,366	83,094	67,896	32,741	1,493	243,592	267,240	510,832
Other								
Depreciation	852	7,935	3,553	1,096	35	13,473	795	14,268
Increase in Property, plant and equipment and Intangible assets	609	8,565	3,578	891	11	13,656	9	13,666

[Note]

1. "Other" includes call center business and BPO service business, which are not included in reportable segments.

2. Adjustments are as follows:

(1) Adjustment of Operating income (loss) is the elimination of intersegment transactions.

(2) Adjustment in segment assets are corporate assets that do not belong to individual reportable segments. The corporate assets mainly consist of surplus funds (cash and marketable securities), assets related to land of head office, buildings, and the administrative division of the head office.

(3) Adjustment in depreciation expenses are depreciation expenses related to the buildings of the head office that do not belong to individual reportable segments.

(4) Adjustment in increase of property, plant and equipment and intangible assets consist of capital investment amount of the buildings of the head office that do not belong to individual reportable segments.

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. FY2018(from January 1, 2018 to December 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
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	150,157	176,182	242,866	49,668	2,714	621,591	-	621,591
Sales - intersegment	87	11,534	13,043	2,778	4,262	31,706	(31,706)	-
Total	150,244	187,717	255,910	52,447	6,977	653,297	(31,706)	621,591
Operating income (loss)	7,333	9,609	13,027	(937)	48	29,081	(140)	28,941
Assets	53,186	80,313	67,158	24,089	2,144	226,891	271,898	498,790
Other								
Depreciation	778	7,860	3,226	589	56	12,512	769	13,281
Increase in Property, plant and equipment and Intangible assets	681	6,733	2,989	313	18	10,735	9	10,745

[Note]

1. "Other" includes call center business and BPO service business, which are not included in reportable segments.

2. Adjustments are as follows:

(1) Adjustment of Operating income (loss) is the elimination of intersegment transactions.

(2) Adjustment in segment assets are corporate assets that do not belong to individual reportable segments. The corporate assets mainly consist of surplus funds (cash and marketable securities), assets related to land of head office, buildings, and the administrative division of the head office.

(3) Adjustment in depreciation expenses are depreciation expenses related to the buildings of the head office that do not belong to individual reportable segments.

(4) Adjustment in increase of property, plant and equipment and intangible assets consist of capital investment amount of the buildings of the head office that do not belong to individual reportable segments.

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.