

Summary Report of Consolidated Financial Results

for the first quarter ended March 31, 2019

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, 2019 (From January 1, 2019 to March 31, 2019)

(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, 2019	150,930	0.1	7,016	88.8	7,251	76.8	4,780	89.0
March 31, 2018	150,802	(1.3)	3,715	(34.4)	4,101	(28.8)	2,529	(36.6)

[Note] Comprehensive Income: Three months ended March 31, 2019 : 6,830 million yen [142.8%]

Three months ended March 31, 2018 : 2,813 million yen [(22.8%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2019	36.87	36.86
March 31, 2018	19.50	-

(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, 2019	492,965	304,849	61.7	2,346.56
Year ended December 31, 2018	498,790	303,570	60.8	2,336.97

[Reference] Shareholders' equity: First quarter ended March 31, 2019 : 304,270 million yen

Year ended December 31, 2018 : 303,027 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, 2018	-	25.00	-	35.00	60.00
Year ending December 31, 2019	-				
Year ending December 31, 2019 (forecast)		-	-	-	60.00

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

[Note] Interim dividend for the fiscal year ending December 31, 2019 is unfixed because consolidated financial forecast for the six months from January 1, 2019 to June 30, 2019 is not fixed. The Year-end dividend for the fiscal year ending December 31, 2019 is equal to the balance of annual dividend and interim dividend.

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)

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

[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 : Yes

(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, 2019 : 151,079,972

As of December 31, 2018 : 151,079,972

(ii) Number of treasury stock at the end of the period

As of March 31, 2019 : 21,412,895

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

(iii) Average number of shares

As of March 31, 2019 : 129,667,095

As of March 31, 2018 : 129,668,126

* 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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	65,071	70,102
Notes and accounts receivable	117,041	110,674
Securities	70,500	5,500
Merchandise and finished goods	31,182	34,390
Work in process	1,191	128
Raw materials and supplies	647	643
Short-term loans receivable	90,014	150,014
Other current assets	7,792	7,150
Allowance for doubtful receivables	(91)	(98)
Total current assets	383,349	378,505
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,657	28,211
Machinery, equipment and vehicles, net	112	109
Tools, furniture and fixtures, net	3,059	3,112
Rental assets, net	10,842	10,128
Land	28,918	28,918
Leased assets, net	63	47
Construction in progress	333	360
Total property, plant and equipment	71,987	70,888
Intangible assets		
Software	4,940	4,892
Lease assets	5	3
Utilization rights	316	315
Other intangible assets	2	2
Total intangible assets	5,265	5,214
Investments and other assets		
Investment in securities	7,985	9,014
Long-term loans receivable	36	35
Net defined benefit assets	304	302
Deferred tax assets	23,039	22,127
Lease deposits	4,423	4,412
Other investments and other assets	2,832	2,863
Allowance for doubtful receivables	(432)	(400)
Total investments and other assets	38,188	38,356
Total non-current assets	115,441	114,459
Total assets	498,790	492,965

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	75,831	69,507
Lease obligations	100	91
Accrued expenses	16,676	15,757
Accrued income taxes	6,967	2,500
Consumption taxes payable	4,063	3,592
Provision for bonuses	3,437	12,291
Provision for directors' bonuses	79	13
Provision for product warranties	447	448
Provision for loss on order received	147	-
Other current liabilities	22,151	19,846
Total current liabilities	129,903	124,049
Long-term liabilities		
Lease obligations	116	120
Deferred tax liabilities	29	1
Allowance for long-term continuous service rewards	1,019	1,118
Net defined benefit liabilities	59,887	59,156
Other long-term liabilities	4,264	3,669
Total long-term liabilities	65,317	64,065
Total liabilities	195,220	188,115
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	189,957	189,203
Treasury stock	(31,924)	(31,924)
Total stockholders' equity	314,156	313,401
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	2,518	3,226
Deferred gains or losses on hedges	1	8
Foreign currency translation adjustments	75	74
Remeasurements of defined benefit plans	(13,725)	(12,439)
Total accumulated other comprehensive income (loss)	(11,129)	(9,130)
Non-controlling interests	542	579
Total net assets	303,570	304,849
Total liabilities and net assets	498,790	492,965

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Three months of FY2018 (from January 1, 2018 to March 31, 2018)	Three months of FY2019 (from January 1, 2019 to March 31, 2019)
Net sales	150,802	150,930
Cost of sales	98,819	102,233
Gross profit	51,983	48,696
Selling, general and administrative expenses	48,267	41,680
Operating income	3,715	7,016
Non-operating income		
Interest income	40	42
Dividend income	25	25
Gain on investments in partnership	218	141
Other non-operating income	175	95
Total non-operating income	460	304
Non-operating expenses		
Interest expense	2	2
Other non-operating expenses	71	65
Total non-operating expenses	74	68
Ordinary profit	4,101	7,251
Extraordinary income		
Gain on sales of fixed assets	118	2
Total extraordinary income	118	2
Extraordinary losses		
Loss on sales and disposal of fixed assets	51	29
Loss on impairment of fixed assets	1	-
Loss on valuation of investment securities	90	6
Expenses for restructuring of business bases	47	-
Other extraordinary losses	7	1
Total extraordinary losses	198	38
Profit before income taxes	4,021	7,216
Income taxes	1,474	2,384
Profit	2,546	4,831
Profit attributable to non-controlling interests	17	51
Profit attributable to owners of parent	2,529	4,780

* Starting from the first quarter of the current fiscal year, the Company recorded a portion of personnel expenses and others, which had previously been posted as selling expenses, as the cost of sales. This is because the Company changed the aggregation range of costs as a result of examining the positioning of costs for the performance obligation of services, which has been increasingly important in recent years in the wake of the early adoption of the Accounting Standard for Revenue Recognition in the first quarter of the current fiscal year. Compared with the previous method, this change caused an increase of 4,866 million yen in the cost of sales and a decrease in gross profit by the same amount in the first quarter of the current fiscal year. There is no impact on operating income, ordinary income and profit before income taxes.

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Three months of FY2018 (from January 1, 2018 to March 31, 2018)	Three months of FY2019 (from January 1, 2019 to March 31, 2019)
Profit	2,546	4,831
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	122	707
Deferred gains or losses on hedges	(42)	6
Foreign currency translation adjustments	(65)	(0)
Remeasurements of defined benefit plans, net of tax	252	1,286
Total other comprehensive income (loss)	266	1,999
Comprehensive income	2,813	6,830
Comprehensive income attributable to		
Owners of parent	2,804	6,778
Non-controlling interests	9	52

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Three months of FY2018 (from January 1, 2018 to March 31, 2018)	Three months of FY2019 (from January 1, 2019 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	4,021	7,216
Depreciation	3,305	3,049
Loss on Impairment of fixed assets	1	-
Increase (decrease) in allowance for doubtful receivables	148	(25)
Increase (decrease) in net defined benefit liabilities	303	1,139
Decrease (increase) in net defined benefit assets	(16)	(4)
Increase (decrease) in provision for bonuses	9,201	8,853
Interest and dividend income	(66)	(67)
Interest expense	2	2
Loss (gain) on sales and disposal of property, plant and equipment, net	(67)	21
Loss (gain) on investments in partnership	(218)	(141)
Decrease (increase) in notes and accounts receivable-trade	13,944	6,930
Decrease (increase) in inventories	(4,591)	(2,861)
Increase (decrease) in notes and accounts payable-trade	(12,704)	(6,327)
Other, net	(8,534)	(5,219)
Subtotal	4,729	12,566
Interest and dividends received	65	67
Interest paid	(2)	(2)
Income taxes paid	(4,886)	(6,213)
Net cash provided by (used in) operating activities	(94)	6,417
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(2,363)	(1,338)
Payments for purchases of intangible assets	(397)	(517)
Payments for purchases of investment in securities	(614)	(5)
Proceeds from sales of investments in securities	12	168
Decrease (increase) in short-term loans receivable, net.	(29,996)	(60,000)
Other, net	207	(114)
Net cash provided by (used in) investing activities	(33,151)	(61,809)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	45	-
Repayments of finance lease obligations	(32)	(33)
Payments for purchases of treasury stock	(1)	(0)
Dividends paid	(4,539)	(4,539)
Dividends paid to non-controlling shareholders	(11)	(15)
Net cash provided by (used in) financing activities	(4,539)	(4,588)
Effect of exchange rate changes on cash and cash equivalents	(61)	11
Net increase (decrease) in cash and cash equivalents	(37,847)	(59,969)
Cash and cash equivalents at beginning of period	136,979	135,571
Cash and cash equivalents at end of period	99,132	75,602

Consolidated Quarterly Segment Information

I. 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	45,088	63,451	14,614	840	150,802	-	150,802
Sales - intersegment	15	2,085	3,351	416	1,246	7,114	(7,114)	-
Total	26,822	47,174	66,802	15,031	2,087	157,917	(7,114)	150,802
Operating income (loss)	(2,148)	2,208	2,690	803	151	3,705	10	3,715

[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. Three months of FY2019 (from January 1, 2019 to March 31, 2019)

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	25,890	47,420	64,586	11,677	1,355	150,930	-	150,930
Sales - intersegment	16	2,474	3,022	482	1,325	7,320	(7,320)	-
Total	25,907	49,894	67,608	12,160	2,680	158,251	(7,320)	150,930
Operating income (loss)	(1,286)	3,517	3,783	800	188	7,003	12	7,016

[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

(Changes in Reporting Segments)

Starting from the first quarter of the current year, the Company transferred "Visual Solutions," which was a subsegment of the "Professional" segment, to the "Enterprise" and "Area" segments. In addition, the amount of intersegment transactions changed because the Company consolidated the planning and development functions of the security business, which were scattered across group companies, into the business units with marketing oversight at Canon Marketing Japan.

Prior-year first-quarter segment information has been restated accordingly to reflect these changes.

(Changes in Accounting Policy)

Starting from the beginning of the first quarter of the current year, the Company applied the revenue recognition accounting standard and guidance and since the Company changed its accounting methods for revenue recognition, it also changed its measurement methods for the segment income or loss of its business segments accordingly.

Compared to the previous method, in the first quarter of the current year, this change caused a decrease of 131 million yen in net sales and an increase of 83 million yen in segment income in the "Consumers" segment, a decrease of 249 million yen in net sales and a decrease of 26 million yen in segment income in the "Enterprise" segment, a decrease of 129 million yen in net sales and a decrease of 52 million yen in segment income in the "Area" segment, a decrease of 13 million yen in net sales and a decrease of 3 million yen in segment income in the "Professional" segment, and a decrease of 19 million yen in net sales and a decrease of 1 million yen in segment income in the "Other" segment.