

Summary Report of Consolidated Financial Results

for the fiscal year ended December 31, 2019

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
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 Tel. +81-3-6719-9071
 Dividend payable date (as planned): March 27, 2020
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(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, 2019	621,134	(0.1)	32,439	12.1	33,937	11.2	22,250	6.8
December 31, 2018	621,591	(1.7)	28,941	(4.8)	30,519	(3.1)	20,826	0.7

[Note] Comprehensive Income: Year ended December 31, 2019 : 30,965 million yen [123.7%]
 Year ended December 31, 2018 : 13,842 million yen [(41.6)%]

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, 2019	171.60	171.58	7.1	6.8	5.2
December 31, 2018	160.61	-	6.9	6.0	4.7

(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, 2019	503,698	325,092	64.4	2,502.39
December 31, 2018	498,790	303,570	60.8	2,336.97

[Reference] Shareholders' equity: Year ended December 31, 2019 : 324,475 million yen
 Year ended December 31, 2018 : 303,027 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, 2019	22,052	(94,584)	(8,557)	54,493
December 31, 2018	16,990	(10,526)	(7,838)	135,571

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, 2018	-	25.00	-	35.00	60.00	7,780	37.4	2.6
Year ended December 31, 2019	-	30.00	-	30.00	60.00	7,779	35.0	2.5
Year ending December 31, 2020 (forecast)	-	-	-	-	-	-	-	-

[Note] Dividend for the fiscal year ending December 31, 2020 is unfixed.

3. Consolidated financial forecast for the fiscal year ending December 31, 2020 (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	
	600,000	(3.4)	34,000	4.8	35,000	3.1	22,800	2.5	175.84	

*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 : Yes

(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 the period (including treasury stock)

As of December 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 December 31, 2019 : 21,413,743

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

(iii) Average number of shares

As of December 31, 2019 : 129,666,745

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

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated business results for the year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(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, 2019	473,229	(0.5)	15,669	(3.0)	18,987	(3.2)	13,287	(21.7)
December 31, 2018	475,741	(2.7)	16,148	(18.3)	19,615	(21.2)	16,959	(6.5)

Year ended	Net income per share	Diluted net income per share
	Yen	Yen
December 31, 2019	102.48	102.47
December 31, 2018	130.79	-

(2) Non-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
Year ended December 31, 2019	489,371	297,426	60.8	2,293.78
Year ended December 31, 2018	495,585	292,521	59.0	2,255.94

[Reference] Shareholders' equity: Year ended December 31, 2019 : 297,426 / Year ended December 31, 2018 : 292,521

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

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, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	65,071	53,993
Notes and accounts receivable	117,041	112,666
Securities	70,500	500
Merchandise and finished goods	31,182	33,281
Work in process	1,191	206
Raw materials and supplies	647	622
Short-term loans receivable	90,014	170,012
Other current assets	7,792	6,197
Allowance for doubtful receivables	(91)	(75)
Total current assets	383,349	377,403
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,657	26,948
Machinery, equipment and vehicles, net	112	99
Tools, furniture and fixtures, net	3,059	3,315
Rental assets, net	10,842	9,403
Land	28,918	28,918
Leased assets, net	63	31
Construction in progress	333	14,095
Total property, plant and equipment	71,987	82,813
Intangible assets		
Software	4,940	4,148
Leased assets	5	2
Utilization rights	316	315
Other intangible assets	2	2
Total intangible assets	5,265	4,469
Investments and other assets		
Investment in securities	7,985	11,037
Long-term loans receivable	36	35
Net defined benefit assets	304	393
Deferred tax assets	23,039	20,792
Lease deposits	4,423	4,358
Other investments and other assets	2,832	2,775
Allowance for doubtful receivables	(432)	(382)
Total investments and other assets	38,188	39,011
Total non-current assets	115,441	126,295
Total assets	498,790	503,698

Consolidated Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	75,831	51,542
Lease obligations	100	72
Accrued expenses	16,676	17,855
Accrued income taxes	6,967	8,235
Consumption taxes payable	4,063	5,901
Provision for bonuses	3,437	3,373
Provision for directors' bonuses	79	99
Provision for product warranties	447	651
Provision for loss on order received	147	189
Other current liabilities	22,151	32,101
Total current liabilities	129,903	120,023
Long-term liabilities		
Lease obligations	116	103
Deferred tax liabilities	29	-
Allowance for long-term continuous service rewards	1,019	1,042
Net defined benefit liabilities	59,887	53,956
Other long-term liabilities	4,264	3,480
Total long-term liabilities	65,317	58,582
Total liabilities	195,220	178,606
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	189,957	202,783
Treasury stock	(31,924)	(31,926)
Total stockholders' equity	314,156	326,979
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	2,518	3,929
Deferred gains or losses on hedges	1	11
Foreign currency translation adjustments	75	51
Remeasurements of defined benefit plans	(13,725)	(6,497)
Total accumulated other comprehensive income (loss)	(11,129)	(2,504)
Non-controlling interests	542	616
Total net assets	303,570	325,092
Total liabilities and net assets	498,790	503,698

Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	FY2018 (from January 1, 2018 to December 31, 2018)	FY2019 (from January 1, 2019 to December 31, 2019)
Net sales	621,591	621,134
Cost of sales	403,417	420,107
Gross profit	218,173	201,026
Selling, general and administrative expenses	189,231	168,586
Operating income	28,941	32,439
Non-operating income		
Interest income	197	196
Dividend income	153	154
Insurance income	547	767
Gain on investments in partnership	494	247
Other non-operating income	413	302
Total non-operating income	1,807	1,667
Non-operating expenses		
Interest expense	12	12
Other non-operating expenses	216	157
Total non-operating expenses	229	169
Ordinary profit	30,519	33,937
Extraordinary income		
Gain on sales of fixed assets	126	13
Gain on sales of investment securities	489	2
Gain on sales of shares of subsidiaries and associates	214	-
Total extraordinary income	830	15
Extraordinary losses		
Loss on sales and disposal of fixed assets	311	206
Loss on impairment of fixed assets	15	82
Loss on disaster	64	-
Loss on valuation of investment securities	158	329
Expenses for restructuring of business bases	57	-
Other extraordinary losses	34	31
Total extraordinary losses	641	649
Profit before income taxes	30,708	33,302
Income taxes-current	9,893	12,626
Income taxes-deferred	(77)	(1,663)
Total income taxes	9,815	10,963
Profit	20,893	22,339
Profit attributable to non-controlling interests	66	89
Profit attributable to owners of parent	20,826	22,250

* Starting from FY2019, 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 FY2019. Compared with the previous method, this change caused an increase of 20,072 million yen in the cost of sales and a decrease in gross profit by the same amount in FY2019. There is no impact on operating income, ordinary income and profit before income taxes.

Consolidated Statements of Income

(Amounts less than one million yen are truncated)

	FY2018 (from January 1, 2018 to December 31, 2018)	FY2019 (from January 1, 2019 to December 31, 2019)
Profit	20,893	22,339
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	(640)	1,412
Deferred gains or losses on hedges	(4)	9
Foreign currency translation adjustments	(25)	(24)
Remeasurements of defined benefit plans, net of tax	(6,379)	7,228
Total other comprehensive income (loss)	(7,050)	8,625
Comprehensive income	13,842	30,965
Comprehensive income attributable to		
Owners of parent	13,779	30,875
Non-controlling interests	63	89

Consolidated Statements of Shareholders' Equity

I. 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	Treasury 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 Shareholders' Equity

II. FY2019 (from January 1, 2019 to December 31, 2019)

(Amounts less than one million yen are truncated)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at beginning of current period	73,303	82,820	189,957	(31,924)	314,156
Cumulative effects of changes in accounting policies	-	-	(996)	-	(996)
Restated balance	73,303	82,820	188,961	(31,924)	313,160
Changes of items during period					
Dividends of surplus	-	-	(8,428)	-	(8,428)
Profit attributable to owners of parent	-	-	22,250	-	22,250
Purchase of treasury stock	-	-	-	(2)	(2)
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	-	-	13,821	(2)	13,819
Balance at end of current period	73,303	82,820	202,783	(31,926)	326,979

	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	2,518	1	75	(13,725)	(11,129)	542	303,570
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	(996)
Restated balance	2,518	1	75	(13,725)	(11,129)	542	302,573
Changes of items during period							
Dividends of surplus	-	-	-	-	-	-	(8,428)
Profit attributable to owners of parent	-	-	-	-	-	-	22,250
Purchase of treasury stock	-	-	-	-	-	-	(2)
Profit attributable to non-controlling interests	-	-	-	-	-	89	89
Dividends paid to non-controlling interests	-	-	-	-	-	(15)	(15)
Net changes of items other than shareholders' equity	1,410	9	(24)	7,228	8,625	0	8,625
Total changes of items during period	1,410	9	(24)	7,228	8,625	74	22,519
Balance at end of current period	3,929	11	51	(6,497)	(2,504)	616	325,092

Consolidated Statements of Cash Flows

(Amounts less than one million yen are truncated)

	FY2018 (from January 1, 2018 to December 31, 2018)	FY2019 (from January 1, 2019 to December 31, 2019)
Cash flows from operating activities		
Profit before income taxes	30,708	33,302
Depreciation	13,281	12,257
Loss on Impairment of fixed assets	15	82
Increase (decrease) in allowance for doubtful receivables	99	(66)
Increase (decrease) in net defined benefit liabilities	1,228	4,468
Decrease (increase) in net defined benefit assets	(66)	(19)
Increase (decrease) in provision for bonuses	2	(64)
Interest and dividend income	(351)	(350)
Interest expense	12	12
Loss (gain) on sales and disposal of property, plant and equipment, net	182	190
Loss (gain) on sales of investment securities	(488)	(2)
Loss (gain) on valuation of investment securities	158	329
Loss (gain) on investments in partnership	(494)	(247)
Decrease (increase) in notes and accounts receivable-trade	8,355	4,857
Decrease (increase) in inventories	858	(1,805)
Increase (decrease) in notes and accounts payable-trade	(25,105)	(24,301)
Other, net	(3,032)	4,038
Subtotal	25,365	32,683
Interest and dividends received	351	346
Interest paid	(12)	(12)
Income taxes paid	(8,713)	(10,965)
Net cash provided by (used in) operating activities	16,990	22,052
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(9,905)	(11,651)
Proceeds from sales of property, plant and equipment	263	16
Payments for purchases of intangible assets	(2,238)	(1,450)
Payments for purchases of investment in securities	(677)	(1,383)
Proceeds from sales of investments in securities	1,534	328
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	526	-
Decrease (increase) in short-term loans receivable, net.	(0)	(79,997)
Other, net	(30)	(446)
Net cash provided by (used in) investing activities	(10,526)	(94,584)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	91	-
Repayments of finance lease obligations	(135)	(109)
Payments for purchases of treasury stock	(3)	(2)
Dividends paid	(7,778)	(8,426)
Dividends paid to non-controlling shareholders	(11)	(15)
Other, net	0	(2)
Net cash provided by (used in) financing activities	(7,838)	(8,557)
Effect of exchange rate changes on cash and cash equivalents	(33)	11
Net increase (decrease) in cash and cash equivalents	(1,407)	(81,077)
Cash and cash equivalents at beginning of period	136,979	135,571
Cash and cash equivalents at end of period	135,571	54,493

Consolidated Segment Information

I. 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	176,598	243,735	44,656	3,442	621,591	-	621,591
Sales - intersegment	87	8,569	13,833	1,769	4,549	28,808	(28,808)	-
Total	150,244	188,167	257,568	46,425	7,992	650,399	(28,808)	621,591
Operating income (loss)	7,340	8,724	12,078	851	87	29,081	(140)	28,941
Assets	53,186	82,302	67,714	21,544	2,144	226,891	271,898	498,790
Other								
Depreciation	778	7,872	3,358	446	56	12,512	769	13,281
Increase in Property, plant and equipment and Intangible assets	681	6,741	3,086	207	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.

Consolidated Segment Information

II. FY2019 (from January 1, 2019 to December 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
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	132,737	186,652	256,139	41,887	3,717	621,134	-	621,134
Sales - intersegment	53	9,176	12,170	1,787	5,579	28,767	(28,767)	-
Total	132,790	195,828	268,309	43,675	9,297	649,901	(28,767)	621,134
Operating income (loss)	6,865	10,070	14,398	1,617	(714)	32,235	203	32,439
Assets	44,760	94,423	74,465	24,736	2,352	240,738	262,960	503,698
Other								
Depreciation	641	7,462	3,218	387	28	11,737	519	12,257
Increase in Property, plant and equipment and Intangible assets	617	17,723	2,516	544	22	21,423	27	21,450

[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

(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 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 FY2019, this change caused a decrease of 1,846 million yen in net sales and an increase of 19 million yen in segment income in the “Consumers” segment, a decrease of 11 million yen in net sales and a decrease of 16 million yen in segment income in the “Enterprise” segment, a decrease of 84 million yen in net sales and a decrease of 33 million yen in segment income in the “Area” segment, an increase of 0 million yen in net sales and an increase of 0 million yen in segment income in the “Professional” segment, and a decrease of 11 million yen in net sales and a decrease of 0 million yen in segment income in the “Other” segment.