

Summary Report of Consolidated Financial Results

for the first quarter ended March 31, 2020

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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Dividend payable date (as planned): -
 U.S. Accounting Standards Applied: No

1.Consolidated business results for the three months ended March 31, 2020 (From January 1, 2020 to March 31, 2020)

(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, 2020	141,483	(6.3)	7,767	10.7	7,791	7.4	4,104	(14.1)
March 31, 2019	150,930	0.1	7,016	88.8	7,251	76.8	4,780	89.0

[Note] Comprehensive Income: Three months ended March 31, 2020 : 3,525 million yen [(48.4%)]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2020	31.66	31.65
March 31, 2019	36.87	36.86

(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, 2020	488,249	324,700	66.4	2,499.28
Year ended December 31, 2019	503,698	325,092	64.4	2,502.39

[Reference] Shareholders' equity: First quarter ended March 31, 2020 : 324,071 million yen

Year ended December 31, 2019 : 324,475 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, 2019	-	30.00	-	30.00	60.00
Year ending December 31, 2020	-				
Year ending December 31, 2020 (forecast)		-	-	-	-

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

[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)

	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	-	-	-	-	-	-	-	-	-

[Note] Revision of forecast for this period : Yes

[Note] Due to the COVID-19 coronavirus outbreak, it is difficult to make a reasonable financial forecast as there are many uncertain elements now that will impact business results. Therefore, we have withdrawn the financial forecast published on January 28, 2020, and a new forecast has yet to be determined. We will disclose the revised figures when it becomes possible to reasonably forecast business results.

*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 March 31, 2020 : 131,079,972
 - As of December 31, 2019 : 151,079,972
 - (ii) Number of treasury stock at the end of the period
 - As of March 31, 2020 : 1,413,955
 - As of December 31, 2019 : 21,413,743
 - (iii) Average number of shares
 - As of March 31, 2020 : 129,666,081
 - As of March 31, 2019 : 129,667,095

* 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, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	53,993	54,914
Notes and accounts receivable	112,666	98,880
Securities	500	500
Merchandise and finished goods	33,281	32,940
Work in process	206	100
Raw materials and supplies	622	607
Short-term loans receivable	170,012	170,011
Other current assets	6,197	6,274
Allowance for doubtful receivables	(75)	(80)
Total current assets	<u>377,403</u>	<u>364,150</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	26,948	26,330
Machinery, equipment and vehicles, net	99	96
Tools, furniture and fixtures, net	3,315	3,256
Rental assets, net	9,403	8,903
Land	28,918	28,359
Leased assets, net	31	25
Construction in progress	14,095	14,133
Total property, plant and equipment	<u>82,813</u>	<u>81,105</u>
Intangible assets		
Software	4,148	4,907
Lease assets	2	2
Utilization rights	315	294
Other intangible assets	2	0
Total intangible assets	<u>4,469</u>	<u>5,204</u>
Investments and other assets		
Investment in securities	11,037	9,484
Long-term loans receivable	35	35
Net defined benefit assets	393	392
Deferred tax assets	20,792	21,060
Lease deposits	4,358	4,224
Other investments and other assets	2,775	2,963
Allowance for doubtful receivables	(382)	(372)
Total investments and other assets	<u>39,011</u>	<u>37,789</u>
Total non-current assets	<u>126,295</u>	<u>124,099</u>
Total assets	<u>503,698</u>	<u>488,249</u>

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	51,542	47,481
Lease obligations	72	62
Accrued expenses	17,855	14,072
Accrued income taxes	8,235	3,548
Consumption taxes payable	5,901	4,502
Provision for bonuses	3,373	11,863
Provision for directors' bonuses	99	20
Provision for product warranties	651	603
Provision for loss on order received	189	175
Other current liabilities	32,101	23,285
Total current liabilities	120,023	105,615
Long-term liabilities		
Lease obligations	103	89
Allowance for long-term continuous service rewards	1,042	1,135
Net defined benefit liabilities	53,956	53,330
Other long-term liabilities	3,480	3,377
Total long-term liabilities	58,582	57,933
Total liabilities	178,606	163,548
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,814
Retained earnings	202,783	173,181
Treasury stock	(31,926)	(2,104)
Total stockholders' equity	326,979	327,194
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,929	2,887
Deferred gains or losses on hedges	11	(1)
Foreign currency translation adjustments	51	55
Remeasurements of defined benefit plans	(6,497)	(6,064)
Total accumulated other comprehensive income (loss)	(2,504)	(3,123)
Non-controlling interests	616	629
Total net assets	325,092	324,700
Total liabilities and net assets	503,698	488,249

[Note]

(Note in the event of a notable fluctuation in the amount of stakeholders' equity)
(cancellation of treasury stock)

At the Board of Directors meeting held on February 26, 2020, pursuant to the provisions of Article 178 of the Companies Act, the Board of Directors resolved to cancel treasury stock as follows. As of March 11, 2020, 20,000,000 shares of treasury stock worth 29,822 million yen were cancelled. As a result, capital surplus fell by 5 million yen, retained earnings fell by 29,816 million yen and treasury stock declined by 29,822 million yen. As of the end of the first quarter of the consolidated fiscal year under review, capital surplus stood at 82,814 million yen, retained earnings at 173,181 million yen, and treasury stock at 1,413,000 shares worth 2,104 million yen.

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Three months of FY2019 (from January 1, 2019 to March 31, 2019)	Three months of FY2020 (from January 1, 2020 to March 31, 2020)
Net sales	150,930	141,483
Cost of sales	102,233	94,617
Gross profit	48,696	46,865
Selling, general and administrative expenses	41,680	39,097
Operating income	7,016	7,767
Non-operating income		
Interest income	42	58
Dividend income	25	26
Gain on investments in partnership	141	-
Other non-operating income	95	65
Total non-operating income	304	150
Non-operating expenses		
Interest expense	2	2
Foreign exchange losses	-	33
Other non-operating expenses	65	90
Total non-operating expenses	68	127
Ordinary profit	7,251	7,791
Extraordinary income		
Gain on sales of fixed assets	2	279
Other extraordinary income	-	34
Total extraordinary income	2	314
Extraordinary losses		
Loss on sales and disposal of fixed assets	29	26
Loss on sales of shares of subsidiaries and associates	-	737
Loss on valuation of investment securities	6	-
Other extraordinary losses	1	4
Total extraordinary losses	38	767
Profit before income taxes	7,216	7,338
Income taxes	2,384	3,191
Profit	4,831	4,146
Profit attributable to non-controlling interests	51	41
Profit attributable to owners of parent	4,780	4,104

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Three months of FY2019 (from January 1, 2019 to March 31, 2019)	Three months of FY2020 (from January 1, 2020 to March 31, 2020)
Profit	4,831	4,146
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	707	(1,042)
Deferred gains or losses on hedges	6	(13)
Foreign currency translation adjustments	(0)	1
Remeasurements of defined benefit plans, net of tax	1,286	433
Total other comprehensive income (loss)	1,999	(621)
Comprehensive income	6,830	3,525
Comprehensive income attributable to		
Owners of parent	6,778	3,485
Non-controlling interests	52	39

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Three months of FY2019 (from January 1, 2019 to March 31, 2019)	Three months of FY2020 (from January 1, 2020 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	7,216	7,338
Depreciation	3,049	2,948
Increase (decrease) in allowance for doubtful receivables	(25)	1
Increase (decrease) in net defined benefit liabilities	1,139	500
Decrease (increase) in net defined benefit assets	(4)	(5)
Increase (decrease) in provision for bonuses	8,853	8,522
Interest and dividend income	(67)	(85)
Interest expense	2	2
Loss (gain) on sales and disposal of property, plant and equipment, net	21	(254)
Loss (gain) on sales of investment in securities	-	(14)
Loss (gain) on sales of shares of subsidiaries and associates	-	737
Loss (gain) on investments in partnership	(141)	0
Decrease (increase) in notes and accounts receivable-trade	6,930	11,657
Decrease (increase) in inventories	(2,861)	(491)
Increase (decrease) in notes and accounts payable-trade	(6,327)	(3,037)
Other, net	(5,219)	(10,284)
Subtotal	12,566	17,536
Interest and dividends received	67	82
Interest paid	(2)	(2)
Income taxes paid	(6,213)	(7,397)
Net cash provided by (used in) operating activities	6,417	10,218
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(1,338)	(5,794)
Proceeds from sales of property, plant and equipment	2	1,003
Payments for purchases of intangible assets	(517)	(1,323)
Payments for purchases of investment in securities	(5)	(76)
Proceeds from sales of investments in securities	168	85
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	828
Decrease (increase) in short-term loans receivable, net.	(60,000)	0
Other, net	(117)	(95)
Net cash provided by (used in) investing activities	(61,809)	(5,372)
Cash flows from financing activities		
Repayments of finance lease obligations	(33)	(20)
Payments for purchases of treasury stock	(0)	(0)
Dividends paid	(4,539)	(3,833)
Dividends paid to non-controlling shareholders	(15)	(26)
Net cash provided by (used in) financing activities	(4,588)	(3,881)
Effect of exchange rate changes on cash and cash equivalents	11	(44)
Net increase (decrease) in cash and cash equivalents	(59,969)	920
Cash and cash equivalents at beginning of period	135,571	54,493
Cash and cash equivalents at end of period	75,602	55,414

Consolidated Quarterly Segment Information

I. 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.

II. Three months of FY2020 (from January 1, 2020 to March 31, 2020)

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	24,666	44,676	62,796	8,314	1,028	141,483	-	141,483
Sales - intersegment	8	2,182	2,676	374	1,610	6,851	(6,851)	-
Total	24,674	46,858	65,472	8,689	2,639	148,334	(6,851)	141,483
Operating income (loss)	5	3,447	3,895	650	(210)	7,787	(19)	7,767

[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.