

Summary Report of Consolidated Financial Results

for the second quarter ended June 30, 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
 Contact: Shiro Hamada, Director Vice President
 Tel. +81-3-6719-9071
 Dividend payable date (as planned): August 27, 2020
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the six months ended June 30, 2020 (From January 1, 2020 to June 30, 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	%
Six months ended								
June 30, 2020	262,593	(13.3)	13,140	(2.1)	16,653	16.1	9,963	5.6
June 30, 2019	302,856	0.8	13,418	38.8	14,348	30.5	9,436	26.9

[Note] Comprehensive Income: Six months ended June 30, 2020 : 10,762 million yen [(11.1%)]
 Six months ended June 30, 2019 : 12,099 million yen [43.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2020	76.84	76.83
June 30, 2019	72.78	72.77

(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
Second quarter ended June 30, 2020	477,290	331,941	69.4	2,554.91
Year ended December 31, 2019	503,698	325,092	64.4	2,502.39

[Reference] Shareholders' equity: Second quarter ended June 30, 2020 : 331,290 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	-	20.00			
Year ending December 31, 2020 (forecast)			-	Yen 20.00	Yen 40.00

[Note] Revision of cash dividend forecast for this period : Yes

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	532,000	(14.4)	21,000	(35.3)	24,700	(27.2)	14,600	(34.4)	112.60

[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 June 30, 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 June 30, 2020 : 1,412,097

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

(iii) Average number of shares

As of June 30, 2020 : 129,666,993

As of June 30, 2019 : 129,666,970

* 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 June 30, 2020
Assets		
Current assets		
Cash and deposits	53,993	60,876
Notes and accounts receivable	112,666	81,357
Securities	500	500
Merchandise and finished goods	33,281	29,376
Work in process	206	140
Raw materials and supplies	622	586
Short-term loans receivable	170,012	170,011
Other current assets	6,197	10,482
Allowance for doubtful receivables	(75)	(70)
Total current assets	377,403	353,261
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	26,948	25,879
Machinery, equipment and vehicles, net	99	93
Tools, furniture and fixtures, net	3,315	3,123
Rental assets, net	9,403	8,404
Land	28,918	28,359
Leased assets, net	31	21
Construction in progress	14,095	14,165
Total property, plant and equipment	82,813	80,048
Intangible assets		
Software	4,148	5,313
Lease assets	2	1
Utilization rights	315	294
Other intangible assets	2	0
Total intangible assets	4,469	5,610
Investments and other assets		
Investment in securities	11,037	10,886
Long-term loans receivable	35	35
Net defined benefit assets	393	388
Deferred tax assets	20,792	20,416
Lease deposits	4,358	4,095
Other investments and other assets	2,775	2,925
Allowance for doubtful receivables	(382)	(379)
Total investments and other assets	39,011	38,369
Total non-current assets	126,295	124,028
Total assets	503,698	477,290

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	51,542	35,596
Lease obligations	72	60
Accrued expenses	17,855	12,565
Accrued income taxes	8,235	6,937
Consumption taxes payable	5,901	3,928
Provision for bonuses	3,373	4,951
Provision for directors' bonuses	99	31
Provision for product warranties	651	546
Provision for loss on order received	189	110
Other current liabilities	32,101	23,174
Total current liabilities	120,023	87,902
Long-term liabilities		
Lease obligations	103	95
Allowance for long-term continuous service rewards	1,042	1,104
Net defined benefit liabilities	53,956	53,146
Other long-term liabilities	3,480	3,100
Total long-term liabilities	58,582	57,447
Total liabilities	178,606	145,349
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,814
Retained earnings	202,783	179,040
Treasury stock	(31,926)	(2,102)
Total stockholders' equity	326,979	333,056
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,929	3,746
Deferred gains or losses on hedges	11	(2)
Foreign currency translation adjustments	51	38
Remeasurements of defined benefit plans	(6,497)	(5,549)
Total accumulated other comprehensive income (loss)	(2,504)	(1,766)
Non-controlling interests	616	650
Total net assets	325,092	331,941
Total liabilities and net assets	503,698	477,290

[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.

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Six months of FY2019 (from January 1, 2019 to June 30, 2019)	Six months of FY2020 (from January 1, 2020 to June 30, 2020)
Net sales	302,856	262,593
Cost of sales	206,069	175,746
Gross profit	96,786	86,847
Selling, general and administrative expenses	83,368	73,707
Operating income	13,418	13,140
Non-operating income		
Interest income	93	118
Dividend income	106	105
Insurance income	474	450
Gain on investments in partnership	161	61
Subsidies for employment adjustment	-	2,748
Other non-operating income	203	159
Total non-operating income	1,038	3,642
Non-operating expenses		
Interest expense	6	6
Foreign exchange losses	-	8
Other non-operating expenses	102	114
Total non-operating expenses	108	129
Ordinary profit	14,348	16,653
Extraordinary income		
Gain on sales of fixed assets	5	280
Gain on sales of investment securities	-	119
Other extraordinary income	-	20
Total extraordinary income	5	419
Extraordinary losses		
Loss on sales and disposal of fixed assets	147	48
Loss on sales of shares of subsidiaries and associates	-	737
Loss on valuation of investment securities	8	-
Loss on COVID-19	-	211
Other extraordinary losses	2	4
Total extraordinary losses	157	1,001
Profit before income taxes	14,196	16,071
Income taxes	4,694	6,045
Profit	9,501	10,026
Profit attributable to non-controlling interests	65	63
Profit attributable to owners of parent	9,436	9,963

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Six months of FY2019 (from January 1, 2019 to June 30, 2019)	Six months of FY2020 (from January 1, 2020 to June 30, 2020)
Profit	9,501	10,026
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	539	(182)
Deferred gains or losses on hedges	(2)	(13)
Foreign currency translation adjustments	(38)	(15)
Remeasurements of defined benefit plans, net of tax	2,100	948
Total other comprehensive income (loss)	2,597	735
Comprehensive income	12,099	10,762
Comprehensive income attributable to		
Owners of parent	12,037	10,701
Non-controlling interests	61	60

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Six months of FY2019 (from January 1, 2019 to June 30, 2019)	Six months of FY2020 (from January 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Profit before income taxes	14,196	16,071
Depreciation	6,098	5,754
Increase (decrease) in allowance for doubtful receivables	(38)	(1)
Increase (decrease) in net defined benefit liabilities	2,239	1,067
Decrease (increase) in net defined benefit assets	(7)	(7)
Increase (decrease) in provision for bonuses	868	1,610
Interest and dividend income	(200)	(223)
Interest expense	6	6
Loss (gain) on sales and disposal of property, plant and equipment, net	135	(236)
Loss (gain) on sales of investment in securities	-	(119)
Loss (gain) on sales of shares of subsidiaries and associates	-	737
Loss (gain) on investments in partnership	(161)	(61)
Decrease (increase) in notes and accounts receivable-trade	16,244	29,175
Decrease (increase) in inventories	(350)	3,094
Increase (decrease) in notes and accounts payable-trade	(29,592)	(14,928)
Other, net	(142)	(11,778)
Subtotal	9,296	30,162
Interest and dividends received	197	221
Interest paid	(6)	(6)
Income taxes paid	(6,208)	(7,409)
Net cash provided by (used in) operating activities	3,280	22,968
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(3,954)	(11,765)
Proceeds from sales of property, plant and equipment	6	1,003
Payments for purchases of intangible assets	(704)	(2,120)
Payments for purchases of investment in securities	(215)	(248)
Proceeds from sales of investments in securities	204	272
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	828
Decrease (increase) in short-term loans receivable, net.	(29,998)	0
Other, net	(204)	(55)
Net cash provided by (used in) investing activities	(34,865)	(12,085)
Cash flows from financing activities		
Repayments of finance lease obligations	(63)	(40)
Payments for purchases of treasury stock	(0)	(1)
Dividends paid	(4,535)	(3,890)
Dividends paid to non-controlling shareholders	(15)	(26)
Other, net	-	0
Net cash provided by (used in) financing activities	(4,615)	(3,958)
Effect of exchange rate changes on cash and cash equivalents	(22)	(42)
Net increase (decrease) in cash and cash equivalents	(36,222)	6,882
Cash and cash equivalents at beginning of period	135,571	54,493
Cash and cash equivalents at end of period	99,348	61,376

Consolidated Quarterly Segment Information

I. Six months of FY2019(from January 1, 2019 to June 30, 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	57,661	93,858	126,701	22,340	2,294	302,856	-	302,856
Sales - intersegment	5	4,850	6,127	873	2,699	14,556	(14,556)	-
Total	57,666	98,708	132,829	23,213	4,993	317,412	(14,556)	302,856
Operating income (loss)	(269)	5,501	6,973	1,263	(92)	13,375	42	13,418

[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. Six months of FY2020 (from January 1, 2020 to June 30, 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	50,266	81,895	112,403	16,331	1,696	262,593	-	262,593
Sales - intersegment	26	4,464	4,814	749	3,184	13,239	(13,239)	-
Total	50,293	86,359	117,217	17,081	4,881	275,833	(13,239)	262,593
Operating income (loss)	1,995	5,185	5,164	1,369	(581)	13,133	6	13,140

[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.