

Summary Report of Consolidated Financial Results

for the third quarter ended September 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): -
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the nine months ended September 30, 2020 (From January 1, 2020 to September 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	%
Nine months ended								
September 30, 2020	392,929	(15.1)	20,389	(14.7)	24,065	(3.4)	14,358	(13.0)
September 30, 2019	463,029	3.4	23,889	50.2	24,914	44.0	16,506	42.9

[Note] Comprehensive Income: Nine months ended September 30, 2020 : 15,826 million yen [(22.2)%]
 Nine months ended September 30, 2019 : 20,334 million yen [54.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2020	110.73	110.71
September 30, 2019	127.30	127.29

(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
Third quarter ended September 30, 2020	488,178	334,411	68.4	2,573.88
Year ended December 31, 2019	503,698	325,092	64.4	2,502.39

[Reference] Shareholders' equity: Third quarter ended September 30, 2020 : 333,749 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)				30.00	50.00

[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	537,000	(13.5)	24,000	(26.0)	27,700	(18.4)	16,800	(24.5)	129.56

[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 September 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 September 30, 2020 : 1,412,406
 - As of December 31, 2019 : 21,413,743
 - (iii) Average number of shares
 - As of September 30, 2020 : 129,667,198
 - As of September 30, 2019 : 129,666,867

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

<p>Disclaimer :</p> <p>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.</p>
--

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	53,993	68,250
Notes and accounts receivable	112,666	85,403
Securities	500	500
Merchandise and finished goods	33,281	29,145
Work in process	206	122
Raw materials and supplies	622	578
Short-term loans receivable	170,012	170,011
Other current assets	6,197	6,578
Allowance for doubtful receivables	(75)	(70)
Total current assets	<u>377,403</u>	<u>360,519</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	26,948	26,317
Machinery, equipment and vehicles, net	99	90
Tools, furniture and fixtures, net	3,315	3,106
Rental assets, net	9,403	7,682
Land	28,918	28,359
Leased assets, net	31	18
Construction in progress	14,095	18,287
Total property, plant and equipment	<u>82,813</u>	<u>83,863</u>
Intangible assets		
Software	4,148	5,109
Lease assets	2	1
Utilization rights	315	294
Other intangible assets	2	0
Total intangible assets	<u>4,469</u>	<u>5,405</u>
Investments and other assets		
Investment in securities	11,037	11,214
Long-term loans receivable	35	35
Net defined benefit assets	393	388
Deferred tax assets	20,792	20,113
Lease deposits	4,358	4,045
Other investments and other assets	2,775	2,968
Allowance for doubtful receivables	(382)	(376)
Total investments and other assets	<u>39,011</u>	<u>38,389</u>
Total non-current assets	<u>126,295</u>	<u>127,658</u>
Total assets	<u>503,698</u>	<u>488,178</u>

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	51,542	39,514
Lease obligations	72	56
Accrued expenses	17,855	12,493
Accrued income taxes	8,235	2,311
Consumption taxes payable	5,901	4,507
Provision for bonuses	3,373	13,296
Provision for directors' bonuses	99	47
Provision for product warranties	651	516
Provision for loss on order received	189	53
Other current liabilities	32,101	24,062
Total current liabilities	120,023	96,861
Long-term liabilities		
Lease obligations	103	83
Allowance for long-term continuous service rewards	1,042	867
Net defined benefit liabilities	53,956	52,843
Other long-term liabilities	3,480	3,112
Total long-term liabilities	58,582	56,905
Total liabilities	178,606	153,767
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,814
Retained earnings	202,783	180,842
Treasury stock	(31,926)	(2,102)
Total stockholders' equity	326,979	334,857
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,929	3,940
Deferred gains or losses on hedges	11	(42)
Foreign currency translation adjustments	51	27
Remeasurements of defined benefit plans	(6,497)	(5,033)
Total accumulated other comprehensive income (loss)	(2,504)	(1,108)
Non-controlling interests	616	661
Total net assets	325,092	334,411
Total liabilities and net assets	503,698	488,178

[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)

	Nine months of FY2019 (from January 1, 2019 to September 30, 2019)	Nine months of FY2020 (from January 1, 2020 to September 30, 2020)
Net sales	463,029	392,929
Cost of sales	313,953	261,329
Gross profit	149,075	131,600
Selling, general and administrative expenses	125,186	111,211
Operating income	23,889	20,389
Non-operating income		
Interest income	144	180
Dividend income	110	109
Insurance income	481	451
Gain on investments in partnership	199	161
Subsidies for employment adjustment	-	2,748
Other non-operating income	232	208
Total non-operating income	1,168	3,859
Non-operating expenses		
Interest expense	9	9
Foreign exchange losses	-	26
Other non-operating expenses	133	148
Total non-operating expenses	142	183
Ordinary profit	24,914	24,065
Extraordinary income		
Gain on sales of fixed assets	9	283
Gain on sales of investment securities	2	230
Other extraordinary income	-	20
Total extraordinary income	11	533
Extraordinary losses		
Loss on sales and retirement of non-current assets	169	956
Loss on impairment of fixed assets	82	-
Loss on sales of shares of subsidiaries and associates	-	737
Loss on valuation of investment securities	8	-
Loss on COVID-19	-	270
Other extraordinary losses	4	4
Total extraordinary losses	266	1,970
Profit before income taxes	24,659	22,628
Income taxes	8,072	8,192
Profit	16,587	14,435
Profit attributable to non-controlling interests	80	77
Profit attributable to owners of parent	16,506	14,358

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Nine months of FY2019 (from January 1, 2019 to September 30, 2019)	Nine months of FY2020 (from January 1, 2020 to September 30, 2020)
Profit	16,587	14,435
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	875	11
Deferred gains or losses on hedges	(0)	(53)
Foreign currency translation adjustments	(41)	(30)
Remeasurements of defined benefit plans, net of tax	2,914	1,463
Total other comprehensive income (loss)	3,747	1,390
Comprehensive income	20,334	15,826
Comprehensive income attributable to		
Owners of parent	20,255	15,754
Non-controlling interests	78	71

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Nine months of FY2019 (from January 1, 2019 to September 30, 2019)	Nine months of FY2020 (from January 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	24,659	22,628
Depreciation	9,172	8,415
Loss on Impairment of fixed assets	82	-
Increase (decrease) in allowance for doubtful receivables	(35)	(4)
Increase (decrease) in net defined benefit liabilities	3,347	1,519
Decrease (increase) in net defined benefit assets	(11)	(13)
Increase (decrease) in provision for bonuses	9,660	9,956
Interest and dividend income	(255)	(290)
Interest expense	9	9
Loss (gain) on sales and disposal of property, plant and equipment, net	154	(213)
Loss (gain) on sales of investment securities	(2)	(230)
Loss (gain) on sales of shares of subsidiaries and associates	-	737
Loss (gain) on investments in partnership	(199)	(161)
Decrease (increase) in notes and accounts receivable-trade	10,321	25,144
Decrease (increase) in inventories	(2,108)	3,356
Increase (decrease) in notes and accounts payable-trade	(24,981)	(11,001)
Other, net	(7,598)	(11,571)
Subtotal	22,217	48,281
Interest and dividends received	253	287
Interest paid	(9)	(9)
Income taxes paid	(10,943)	(13,503)
Net cash provided by (used in) operating activities	11,518	35,055
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(5,748)	(12,843)
Proceeds from sales of property, plant and equipment	10	1,006
Payments for purchases of intangible assets	(1,321)	(3,115)
Payments for purchases of investment in securities	(1,205)	(279)
Proceeds from sales of investments in securities	275	538
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	828
Decrease (increase) in short-term loans receivable, net.	(69,998)	0
Other, net	(278)	(288)
Net cash provided by (used in) investing activities	(78,266)	(14,152)
Cash flows from financing activities		
Repayments of finance lease obligations	(87)	(56)
Payments for purchases of treasury stock	(1)	(1)
Dividends paid	(8,421)	(6,482)
Dividends paid to non-controlling shareholders	(15)	(26)
Other, net	(2)	0
Net cash provided by (used in) financing activities	(8,528)	(6,567)
Effect of exchange rate changes on cash and cash equivalents	(21)	(78)
Net increase (decrease) in cash and cash equivalents	(75,298)	14,256
Cash and cash equivalents at beginning of period	135,571	54,493
Cash and cash equivalents at end of period	60,273	68,750

Consolidated Quarterly Segment Information

I. Nine months of FY2019 (from January 1, 2019 to September 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	91,800	142,587	193,046	32,573	3,021	463,029	-	463,029
Sales - intersegment	42	7,001	9,134	1,290	4,129	21,598	(21,598)	-
Total	91,843	149,589	202,180	33,864	7,150	484,628	(21,598)	463,029
Operating income (loss)	2,577	8,267	11,653	1,675	(382)	23,791	98	23,889

[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. Nine months of FY2020 (from January 1, 2020 to September 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	81,419	119,571	167,041	22,515	2,382	392,929	-	392,929
Sales - intersegment	33	6,979	7,263	1,108	4,736	20,121	(20,121)	-
Total	81,453	126,550	174,304	23,624	7,118	413,050	(20,121)	392,929
Operating income (loss)	5,780	6,739	7,290	1,764	(1,138)	20,436	(46)	20,389

[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.