Canon Marketing Japan Inc.

Translation

Interim Report for the 51th Business Term

January 1, 2018 ▶ June 30, 2018

Securities code: 8060

To Our Shareholders

We take this opportunity to convey our sincerest appreciation to all of our shareholders for their continued support.
Canon Marketing Japan Inc. (“Canon MJ”) is pleased to deliver the interim report for the 51th Business Term.

During the interim period under review, net sales of the Canon MJ Group tumbled on sluggish sales of digital SLR cameras, inkjet printers and other products, outweighing the briskness of IT solutions for businesses. Operating income also declined, mainly due to a decline in sales of highly profitable products. We plan to pay interim dividends of 25 yen per share, and annual dividends of 60 yen per share as announced at the beginning of the period. Both dividends are unchanged from the previous fiscal year.
To preview the second half of this period, we forecast a slump in both net sales and operating income, given that the market is weaker than expected in the Consumers segment and that our performance is falling somewhat short of plan in the Professional segment. However, we will have our new market- and customer-based organizational structure, introduced on January 1, 2018, more deeply entrenched across the company and we will build closer ties with customers in separate markets to offer high value in a constant effort to shift to growth and to enhance profitability.
As we pursue these initiatives, we sincerely ask for your continued support.

August 2018

Masahiro Sakata
President & Representative Director

* In this report, the period from January 1, 2018 to June 30, 2018 is stated as the “interim period.”

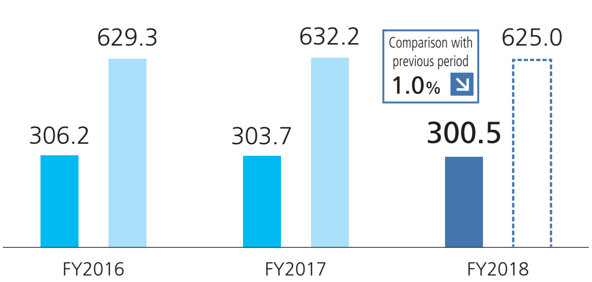
Results Highlights

(Figures are rounded to the nearest unit)

Interim period   Fiscal year   Fiscal year forecast

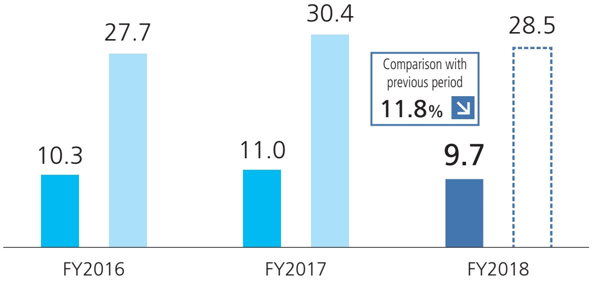
Net sales

(Billions of yen)



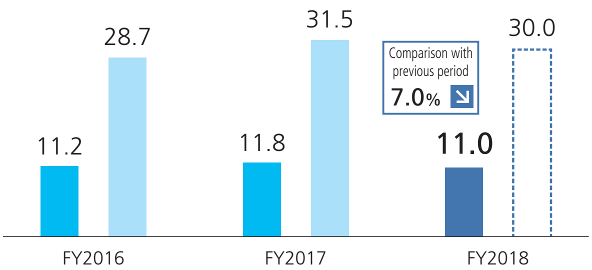
Operating income

(Billions of yen)



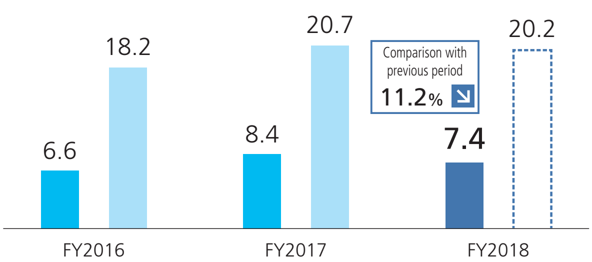
Ordinary income

(Billions of yen)



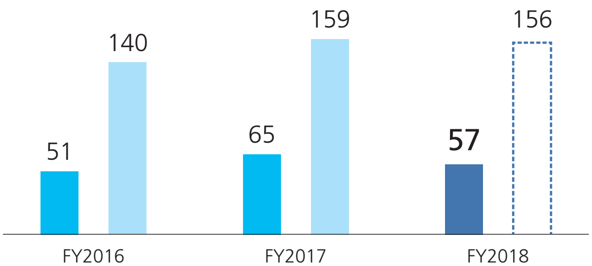
Profit attributable to owners of parent

(Billions of yen)



Profit attributable to owners of parent per share

(yen)



Please see our IR Site for more detailed business results.

canon.jp/8060e-ir

Business Conditions by Segment

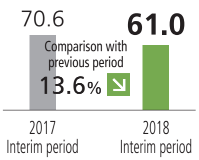
The Canon MJ Group shifted from its conventional product-based organizational structure to a new market- and customer-based structure on January 1, 2018, with a view to implementing the basic policy in our Long-Term Management Objectives Phase III.
Accordingly, new reporting segments of Consumers, Enterprise, Area and Professional apply starting this interim report to replace the conventional segments of Business Solutions, IT Solutions, Imaging Systems, and Industrial / Medical.

* The segment figures for the interim period in the preceding fiscal year represent the results of recalculation in accordance with the definition of new segments that applies to the interim period under review. The changes mentioned in the Overall Condition are based on the comparison with net sales for the interim period in the preceding fiscal year. Net sales in each segment include internal sales and transfers between segments.

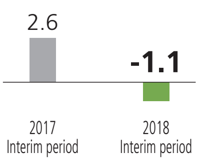
Consumers

Providing digital cameras, inkjet printers and other products for individual customers

Net sales (Billions of yen)



Operating income (Billions of yen)



■Interchangeable Lens Digital Cameras

▶▶Released in March, the EOS Kiss M attained strong sales to hold the largest market share in its domain. Mirrorless models thus achieved sales growth. However, sales of digital SLR cameras were sluggish, a reflecting of the market contraction. Sales in the category of interchangeable lens digital cameras as a whole declined.

■Compact Digital Cameras

▶▶Sales were down, following the slumping market.

■Inkjet Printers

▶▶Sales of inkjet printers fell given a weak market for home-use models, despite brisk sales of business inkjet printers. Sales of ink cartridges were also down after a decline in the printing volume.

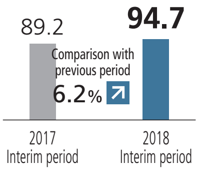
■IT Products

▶▶Brisk sales of gaming computers and peripherals led to massive sales growth in this category.

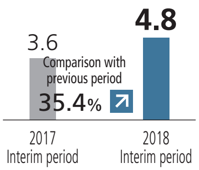
Enterprise

Providing Canon's I/O devices and solutions that help resolve business problems in separate industries for large enterprises

Net sales (Billions of yen)



Operating income (Billions of yen)



■For the Financial Sector

▶▶Strong sales of large system integration projects, steady sales of form design solutions for life insurance companies and cloud systems for non-life insurance companies and the expansion of development projects for securities firms resulted in a sales hike.

■For the Manufacturing Sector

▶▶Sales expanded after strong sales of sales assistance systems for automakers and system transition services for building materials manufacturers.

■For the Distribution Sector

▶▶Sales rose sharply, driven by operation support systems for railway operators and by solutions for specified trade-related operations for general trading firms, and supported by a large order won for office multifunctional products (MFPs).

■For the Education Sector

▶▶Sales were up, due chiefly to the receipt of multiple orders in the *in Campus* platform, which provides IT infrastructure systems for information distribution in school and for learning management.

■Data Center Services and Automotive Embedded Software

▶▶Sales were steady.

■MFPs

▶▶Sales were up with steady shipments to financial, manufacturing, public, distribution and many other business sectors.

■Laser Printers

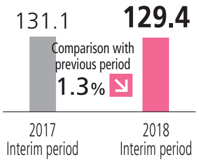
▶▶Sales declined on the continued convergence to MFPs and sluggish orders.

(Figures are rounded to the nearest unit)

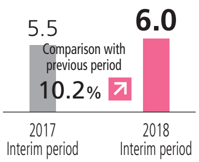
Area

Providing IT solutions, including management solutions in addition to sales of I/O devices, primarily to small and medium enterprises nationwide

Net sales (Billions of yen)



Operating income (Billions of yen)

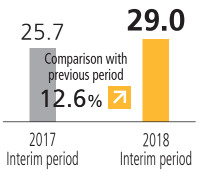


- The *HOME* IT support cloud service for small and medium enterprises
  - ▶▶Sales were steady.
- The *ESET* anti-virus software
  - ▶▶Sales were steady.
- Laser Printer Cartridges
  - ▶▶Steady sales were attained by cultivating customers in specific business sectors.
- Maintenance Services
  - ▶▶Sales fell on sluggish sales of MFPs and other mainstay hardware and a decline in unit prices of maintenance services.

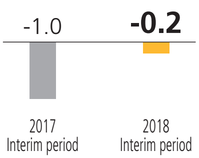
Professional

Providing solutions targeting customers in the specialized fields of Production Printing, Industrial Equipment, Healthcare and Visual Solutions

Net sales (Billions of yen)



Operating income (Billions of yen)

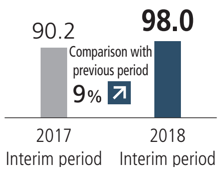


- Production Printing
  - ▶▶Sales of high-speed cut sheet printers were nearly flat but sluggish sales of high-speed continuous feed printers resulted in a sales slide.
- Industrial Equipment
  - ▶▶The semiconductor-related market continued to be strong. With an increase in semiconductor manufacturing equipment handled and inspection and measurement equipment, the semiconductor business saw robust sales growth. The non-semiconductor business also enjoyed rising sales, following the expansion of measurement devices and industrial components.
- Healthcare
  - ▶▶Sales fell sharply on the sluggish modality projects for hospitals, despite growth in sales of medical information systems and ophthalmologic equipment, among others.
- Visual Solutions
  - ▶▶Sales were almost unchanged. Sales of solutions for broadcasters remained strong, but there was a reaction to the large lot deal on network cameras made in the previous year.

Overall IT Solutions

IT solutions are an essential element not only to IT-based businesses such as system development and data centers. They are also becoming indispensable to other businesses in the Group. The Canon MJ Group defined them as a driving force for growth and has taken steps to expand them. As a result, overall sales of IT solutions, included in segment sales for the interim period under review, totaled 98 billion yen, up 9% year on year.

Overall Sales of IT Solutions (Billions of yen)



Topics (from January 1, 2018 to June 30, 2018)

Launching 30 models in 7 series imageRUNNER ADVANCE Gen3 2nd Edition

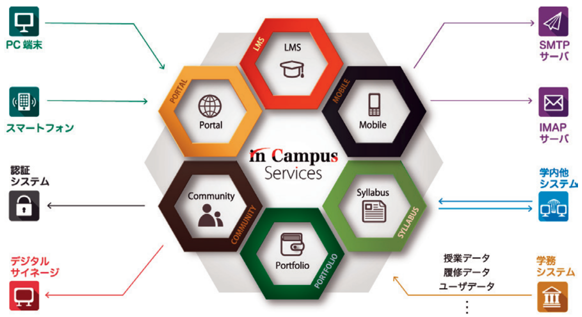
On January 22, Canon MJ launched 30 models in the 7 series imageRUNNER ADVANCE Gen3 2nd Edition as new office-use multifunctional products.
The new products have improved functions, reflecting the opinions of users who have already used imageRUNNER ADVANCE products, while inheriting the high-quality basic performance of the third-generation products of imageRUNNER ADVANCE, which were launched starting February 2016, and contributing to improved productivity and reduced management burdens in the office by enhancing collaboration with cloud services.

Launching a mirrorless cameras for entry users, EOS Kiss M

On March 23, Canon MJ launched the newest mirrorless camera EOS Kiss M, which has crowned the product name with EOS Kiss, the leading brand in the entry class SLR cameras, for the first time.
The EOS Kiss brand was created in 1993 and is the representative SLR camera for entry-level users of Canon MJ. EOS Kiss M has achieved a small, lightweight size with high image quality by expanding the domain of EOS Kiss to mirrorless cameras. It will meet a broad range of user needs.

Beginning providing *in Campus Scan*, a lesson support cloud system using AI

On June 1, Canon MJ and Canon IT Solutions Inc. ("Canon ITS"), a subsidiary of Canon MJ, began providing "*in Campus Scan*," a lesson support cloud system using AI.
in Campus Series is an education support information platform developed by Canon ITS independently. *in Campus Scan* will support the work-style reforms of teachers by automating the aggregation of scores of tests and reports, etc. and improving the efficiency of handling learning outcomes and academic results at schools.



Selected for the 2018 Health and Productivity Stock Selection

Canon MJ has been selected for the first time for the Health and Productivity Stock Selection, made jointly by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc. ("TSE").
The Health and Productivity Stock Selection evaluates companies that strategically work on the health management of employees from a management perspective and selects one company in each industry from among the listed companies on TSE. Canon MJ gained high marks in all items of "management philosophy and policies," "organized frameworks," "specific systems established and measures introduced for ensuring and implementing health-conscious management" and "measures established for assessing and improving health and productivity management."
Canon MJ will strive even harder to fully enforce safety consideration, increase self-health management capabilities and foster a health culture to achieve health and productivity management for lively and healthy employees and a vigorous company.

Special sponsor of the Vienna Boys Choir performance in Japan commemorating the 50th anniversary of the Canon Marketing Japan Group's founding

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Canon MJ also became a special sponsor of the performances of the Vienna Boys Choir in Japan, which were given throughout the country from the end of April to mid-June, in 2018. In 2018, when Canon MJ became the sponsor for the 13th time since 2005, a performance of the Vienna Boys Choir was given in the name of "commemorating the 50th anniversary of the Canon Marketing Japan Group's founding."
Canon MJ contributes to the fostering of culture and international cultural exchange through its efforts to convey the attractions of art.

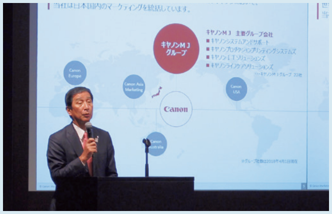
Supporting Rugby World Cup 2019™, Japan

Canon is sponsoring Rugby World Cup 2019™, Japan as an Official Sponsor. We are providing stimulus to the sporting event by posting powerful rugby pictures printed by "imagePROGRAF" series large-size inkjet printer on newly developed waterproof poster paper at Canon Rugby Wall Gallery held at the host cities, among other places.
In May, 500 days before the opening match of Rugby World Cup 2019, we also began posting the pictures on the wall of the general reception space on the first floor of CANON S TOWER, the head office building of Canon MJ. We will continue to support the sporting event with all our strength as an Official Sponsor.

Details of Our Communication Activities

Presentations and IR events

In May, President Masahiro Sakata took the rostrum at a meeting for individual investors sponsored by Daiwa Investor Relations Co., Ltd. He explained the history, business, performance trends, medium-term management plan, and other aspects of the Canon MJ Group to about 410 participants. We also organized a company presentation at SMBC Nikko Securities Inc.



Meeting for individual investors sponsored by Daiwa Investor Relations Co., Ltd.

We hope to create more opportunities like these in the future, and will post details of scheduled events on our website as soon as they are available.

Introduction of IR Site

- IR News
- IR Library
- Management Policy
- Stock Information
- Financial Information

Please see our website for IR information including the above.

canon.jp/8060e-ir

System for additional purchase and sales of shares of less than one unit (1 to 99 shares)

The trading unit (share unit number) of Canon MJ's shares is 100, and shares of less than one share unit (1 to 99 shares) are unable to be traded on the stock market. However, the following procedures are available.

●Additional purchase system

In this system, shareholders are able to purchase the number of Canon MJ's shares necessary to increase their holding to a share unit number (100 shares) from Canon MJ at the prevailing market price. For example, if a shareholder currently holds 180 shares at the moment, that shareholder is able to increase the number to 200 shares by purchasing an additional 20 shares.

●Sales system

Under this system, shareholders are able to sell to Canon MJ holdings of less than one share unit (1 to 99 shares) of shares of Canon MJ at the prevailing market price.

· If you are a shareholder who owns less than one share unit of Canon MJ's shares in an account at a securities company, please follow the procedures of that securities company.

· If you are a shareholder who owns less than one share unit of Canon MJ's shares in a special account (a shareholder who does not have an account at a securities company, etc.), please contact Mizuho Trust & Banking Co., Ltd., which is the institution responsible for managing special accounts (0120-288-324 (toll-free)).

Canon Marketing Japan Inc.

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Cover photo: The Great Barrier Reef, Australia - From the Canon Calendar 2018 "*World Heritage Journey Sekaiisan wo Tazunete*" by Kazuyoshi Nomachi