

CANON INC
Form 6-K
October 25, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of **.October** **2013** ,

CANON INC.

(Translation of registrant's name into English)

30-2, Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANON INC.

(Registrant)

Date . **October 25, 2013**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama
General Manager
Consolidated Accounting Div.
Canon Inc.

*Print the name and title of the signing officer under his signature.

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED
SEPTEMBER 30, 2013

CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013

October 24, 2013

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

(Millions of yen, thousands of U.S. dollars, except per share amounts)

| | Actual | | Change(%) | Actual | |
|---------------------------------------|---------------------------------------|---------------------------------------|-----------|---------------------------------------|---------------------------------------|
| | Three months ended September 30, 2013 | Three months ended September 30, 2012 | | Three months ended September 30, 2013 | Three months ended September 30, 2012 |
| Net sales | ¥ 913,149 | ¥ 799,949 | + 14.2 | \$ 9,317,847 | \$ 8,190,000 |
| Operating profit | 90,610 | 70,877 | + 27.8 | 924,592 | 724,000 |
| Income before income taxes | 88,056 | 75,180 | + 17.1 | 898,531 | 765,000 |
| Net income attributable to Canon Inc. | ¥ 58,822 | ¥ 50,139 | + 17.3 | \$ 600,224 | \$ 510,000 |

Net income attributable to Canon Inc. stockholders per share:

| | | | | | |
|-----------|---------|---------|--------|---------|---------|
| - Basic | ¥ 51.20 | ¥ 43.15 | + 18.7 | \$ 0.52 | \$ 0.44 |
| - Diluted | 51.20 | 43.15 | + 18.7 | 0.52 | 0.44 |

CONSOLIDATED RESULTS FOR THE NINE MONTHS

(Millions of yen, thousands of U.S. dollars, except per share amounts)

| | Actual | | | Projected | | |
|---------------------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|-------------------------------|-----------|
| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change(%) | Nine months ended September 30, 2013 | Year ending December 31, 2013 | Change(%) |
| Net sales | ¥ 2,696,682 | ¥ 2,528,394 | + 6.7 | \$ 27,517,163 | ¥ 3,750,000 | + 7.8 |
| Operating profit | 243,737 | 246,152 | - 1.0 | 2,487,112 | 360,000 | + 11.2 |
| Income before income taxes | 247,179 | 253,449 | - 2.5 | 2,522,235 | 360,000 | + 5.1 |
| Net income attributable to Canon Inc. | ¥ 166,231 | ¥ 163,391 | + 1.7 | \$ 1,696,235 | ¥ 240,000 | + 6.9 |

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Net income attributable to Canon Inc. stockholders per share:

| | | | | | | | | | | | | |
|-----------|---|---------------|---|--------|---|-----|----|-------------|---|--------|---|-----|
| - Basic | ¥ | 144.40 | ¥ | 138.48 | + | 4.3 | \$ | 1.47 | ¥ | 209.07 | + | 9.3 |
| - Diluted | | 144.39 | | 138.47 | + | 4.3 | | 1.47 | | - | + | - |

| | | As of September 30, 2013 | Actual As of December 31, 2012 | Change(%) | As of September 30, 2013 |
|--------------------------------|---|--------------------------------|---|-----------|--------------------------------|
| Total assets | ¥ | 4,045,159 | ¥ 3,955,503 | + 2.3 | \$ 41,277,133 |
| Canon Inc. stockholders equity | ¥ | 2,709,442 | ¥ 2,598,026 | + 4.3 | \$ 27,647,367 |

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- Notes:
1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
 2. U.S. dollar amounts are translated from yen at the rate of JPY98=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2013, solely for the convenience of the reader.

Canon Inc.
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,
Tokyo 146-8501, Japan
Phone: +81-3-3758-2111

I. Operating Results and Financial Conditions

2013 Third Quarter in Review

Looking back at the global economy in the third quarter of 2013, in the United States, although the economy continued to recover, personal spending was lacking in strength, while in Europe, the economy remained sluggish owing to austere fiscal policy. In China the pace of economic growth remained weak and the economies of other emerging countries in Asia faced slow growth due to declines in local currency values. The Japanese economy continued to recover amid improvements in the export environment along with the positive effects of stimulation measures. As for the global economy overall, there were increasing signs of a slowdown amid the prolonged economic stagnation.

As for the markets in which Canon operates amid these conditions, among office multifunction devices (MFDs), although demand for monochrome models continued to shrink, color models continued to drive growth and demand for laser printers entered a phase of moderate growth. Although demand for interchangeable-lens digital cameras showed strong growth in Japan, the expected rebound in overseas demand was delayed, while demand for digital compact cameras continued to shrink both in developed countries and emerging markets. Demand for inkjet printers followed a decreasing trend due to the slowdown in emerging economies. In the industry and others sector, demand for semiconductor lithography equipment began to pick up amid a recovery trend from suppressed capital expenditure for memory devices, while lithography equipment used in the production of flat panel displays (FPD) showed healthy market growth for mid- and small-size panels used mainly in smartphones and tablet PCs, and a gradual recovery in demand for large-size panels.

The average values of the yen during the third quarter and first nine months of the year were ¥98.91 and ¥96.92 to the U.S. dollar, respectively, year-on-year depreciations of approximately ¥20 and ¥17, and ¥131.09 and ¥127.54 to the euro, respectively, year-on-year depreciations of approximately ¥33 and ¥26.

Steady sales growth of competitive MFDs and laser printers, along with efforts to increase and maintain market share through the introduction of new interchangeable-lens digital camera and inkjet printer products featuring advanced technologies, led to an increase in third-quarter net sales of 14.2% to ¥913.1 billion (U.S.\$9,318 million) from the year-ago period, while net sales for the nine months ended September 30, 2013 totaled ¥2,696.7 billion (U.S.\$27,517 million), a year-on-year increase of 6.7%. The gross profit ratio for the third quarter rose 0.7 points year on year to 49.0% thanks to the effects of ongoing cost-cutting efforts along with the depreciation of the yen. The gross profit ratio for the first nine months of the year also increased by 0.4 points to 48.6%. Despite an increase in foreign-currency-denominated operating expenses after conversion into yen due to the depreciation of the yen, Group-wide efforts to thoroughly reduce spending contributed to limiting the increase in operating expenses for the third-quarter to just ¥356.5 billion (U.S.\$3,638 million), an increase of 12.9% year on year. Consequently, third-quarter operating profit increased by 27.8% to ¥90.6 billion (U.S.\$925 million) compared with the corresponding period of the previous year. Other income decreased by ¥6.9 billion (U.S.\$70 million) for the third quarter from the year-ago period due to foreign currency exchange losses while income before income taxes increased by 17.1% year on year to ¥88.1 billion (U.S.\$899 million). Third-quarter net income attributable to Canon Inc. increased by 17.3% to ¥58.8 billion (U.S.\$600 million) for the third quarter. Operating profit for the initial nine months of the year decreased by 1.0% to ¥243.7 billion (U.S.\$2,487 million) owing to the large decline in the first quarter, while income before income taxes decreased 2.5% year on year to ¥247.2 billion (U.S.\$2,522 million) over the same period. Net income attributable to Canon Inc. increased by 1.7% to ¥166.2 billion (U.S.\$1,696 million) for the nine months ended September 30, 2013.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥51.20 (U.S.\$0.52), an increase of ¥8.05 (U.S.\$0.08) compared with the corresponding quarter of the previous year, and ¥144.40 (U.S.\$1.47) for the first nine months of 2013, a year-on-year increase of ¥5.92 (U.S.\$0.06).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, within the office MFD, sales of color models increased from the year-ago period led by the imageRUNNER ADVANCE C5200/C2200 series, while among production printing systems, the imagePRESS C6010 series continued to perform steadily. As for high speed continuous feed printers and wide-format printers, sales of the Océ ColorStream 3000 series showed solid growth. With regard to laser printers, laser multifunction models recorded strong growth contributing to a year-on-year increase in sales volume. As a result, third-quarter sales for the business unit totaled ¥493.9 billion (U.S.\$5,039 million), an increase of 20.6% year on year, while operating profit totaled ¥67.1 billion (U.S.\$685 million) an increase of 63.1%. Sales for the combined first nine months of the year totaled ¥1,478.1 billion (U.S.\$15,083 million), increasing 13.6% year on year, while operating profit increased by 33.5% to ¥203.4 billion (U.S.\$2,075 million).

Within the Imaging System Business Unit, sales of the EOS 5D Mark III, 6D and 70D advanced-amateur-model interchangeable-lens digital cameras continued to grow. Furthermore, especially in Japan, the new entry-level EOS Digital Rebel SL1/T5i cameras proved popular, further contributing to sales and helping the company to maintain its top share of the global market. As for digital compact cameras, although total sales volume declined due to the market slowdown and the increasing popularity of smartphones, sales volume increased from the previous year for such high added-value products as the PowerShot SX50 HS and SX510 HS, each equipped with a high-magnification zoom lens that exceeds the capabilities of lenses offered by smartphones. With regard to inkjet printers, although sales volume of hardware dipped from the year-ago period due to decreased demand in Asian markets, sales of consumable supplies enjoyed solid growth due to the steady accumulation of units currently in operation within the market. As a result, third-quarter sales for the business unit increased by 8.2% to ¥348.6 billion (U.S.\$3,558 million), while operating profit totaled ¥56.9 billion (U.S.\$581 million), an increase of 8.2%. Sales for the first nine months totaled ¥1,032.8 billion (U.S.\$10,538 million), rising 3.8% year on year, while operating profit totaled ¥141.7 billion (U.S.\$1,446 million), a decrease of 8.8% year on year.

In the Industry and Others Business Unit, within the semiconductor lithography equipment, sales volume of lithography equipment for memory devices increased from the previous year fueled by renewed investment in capital expenditure by memory manufacturers. As for FPD lithography equipment, although no sales were recorded during the quarter, preparations for fourth quarter sales are proceeding smoothly amid the recovery trend in investment for large-size panels. Consequently, third-quarter sales for the segment totaled ¥95.1 billion (U.S.\$970 million), a year-on-year increase of 2.3%, while operating profit decreased ¥13.2 billion (U.S.\$134 million), posting a loss of ¥8.1 billion (U.S.\$83 million). Sales for the first nine months of the year totaled ¥256.1 billion (U.S.\$2,613 million), a decrease of 14.9% year on year, while operating profit recorded a loss of ¥21.5 billion (U.S.\$219 million), declining by ¥36.9 billion (U.S.\$376 million) from the year-ago period.

Cash Flow

During the first nine months of 2013, cash flow from operating activities totaled ¥343.3 billion (U.S.\$3,503 million), an increase of ¥77.5 billion (U.S.\$791 million) compared with the corresponding period of the previous year, owing to improvements in working capital through such means as increasing the collection of accounts receivable. Although capital investment focused on new products, cash flow from investing activities increased ¥52.6 billion (U.S.\$536 million) year on year to ¥207.6 billion (U.S.\$2,118 million) as a result of an increased amount of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥135.7 billion (U.S.\$1,385 million), an increase of ¥24.9 billion (U.S.\$255 million) compared with the corresponding year-ago period. Cash flow from financing activities recorded an outlay of ¥212.1 billion (U.S.\$2,164 million), mainly arising from the dividend payout and the repurchasing of treasury stock.

Owing to these factors, as well as the positive impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥26.2 billion (U.S.\$267 million) to ¥640.5 billion (U.S.\$6,536 million) from the end of the previous year.

Outlook

As for the outlook in the fourth quarter of 2013, while the U.S. and Japanese economies continue to gradually recover, the global economy is expected to realize only moderate growth owing to the sluggish European economy and deceleration of emerging economies. In particular, the outlook for the year-end shopping season remains uncertain for business segments targeting individual consumers, which are susceptible to the effects of business conditions.

In the businesses in which Canon is involved, demand for MFDs is projected to expand moderately mainly for color models, while demand in the laser printer market is expected to surpass the previous year's level. As for interchangeable-lens digital cameras, despite favorable growth in Japan owing to an improvement in business sentiment, overseas demand is expected to face challenges due to the sluggish economies of Europe and emerging countries. Within the digital compact camera, the market is projected to continue shrinking, mainly among low-end models, due to the popularity of smartphones. With regard to inkjet printers, demand is expected to continue to decline, primarily in Asian countries. In the industrial equipment market, an improvement in demand is expected to continue contributing to the recovery in investment by device manufacturers, boosting demand for semiconductor lithography equipment. Demand for FPD lithography equipment will likely pick up in line with the recovery in demand for large-size panels in addition to the healthy market for mid- and small-size panels.

With regard to currency exchange rates for the last quarter of 2013, on which Canon's performance outlook is based, Canon assumes exchange rates of ¥97 to the U.S. dollar and ¥130 to the euro for the fourth quarter, and ¥96.65 to the U.S. dollar and ¥128.24 to the euro for the annual average, representing depreciations of approximately ¥17 against the U.S. dollar, and approximately ¥25 against the euro compared with the previous year.

Upon taking into consideration these foreign exchange rate assumptions and the current economic forecast, Canon projects full-year consolidated net sales in 2013 of ¥3,750.0 billion (U.S.\$38,265 million), a year-on-year increase of 7.8%; operating profit of ¥360.0 billion (U.S.\$3,673 million), a year-on-year increase of 11.2%; income before income taxes of ¥360.0 billion (U.S.\$3,673 million), a year-on-year increase of 5.1%; and net income attributable to Canon Inc. of ¥240.0 billion (U.S.\$2,449 million), a year-on-year increase of 6.9%.

Consolidated Outlook

| Fiscal year | Millions of yen | | | | | |
|---------------------------------------|----------------------|---------------------|-------------|--------|-------------------|-------------|
| | Year ending | | | Change | Year ended | |
| | December 31, 2013 | | | | December 31, 2012 | Change (%) |
| | Previous Outlook (A) | Revised Outlook (B) | (B - A) | | Results (C) | (B - C) / C |
| Net sales | ¥ 3,850,000 | ¥ 3,750,000 | ¥ (100,000) | | ¥ 3,479,788 | +7.8% |
| Operating profit | 380,000 | 360,000 | (20,000) | | 323,856 | +11.2% |
| Income before income taxes | 390,000 | 360,000 | (30,000) | | 342,557 | +5.1% |
| Net income attributable to Canon Inc. | ¥ 260,000 | ¥ 240,000 | ¥ (20,000) | | ¥ 224,564 | +6.9% |

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, plan, project or similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

II. Financial Statements**I. CONSOLIDATED BALANCE SHEETS**

| | Millions of yen | | | Thousands of U.S. dollars |
|--|--------------------------------|-------------------------------|------------|--------------------------------|
| | As of September 30, 2013 | As of December 31, 2012 | Change | As of September 30, 2013 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 640,521 | ¥ 666,678 | ¥ (26,157) | \$ 6,535,929 |
| Short-term investments | 54,578 | 28,322 | 26,256 | 556,918 |
| Trade receivables, net | 519,893 | 573,375 | (53,482) | 5,305,031 |
| Inventories | 607,705 | 551,623 | 56,082 | 6,201,071 |
| Prepaid expenses and other current assets | 296,308 | 262,258 | 34,050 | 3,023,551 |
| Total current assets | 2,119,005 | 2,082,256 | 36,749 | 21,622,500 |
| Noncurrent receivables | 18,766 | 19,702 | (936) | 191,490 |
| Investments | 64,210 | 56,617 | 7,593 | 655,204 |
| Property, plant and equipment, net | 1,269,725 | 1,260,364 | 9,361 | 12,956,378 |
| Intangible assets, net | 139,343 | 135,736 | 3,607 | 1,421,867 |
| Other assets | 434,110 | 400,828 | 33,282 | 4,429,694 |
| Total assets | ¥ 4,045,159 | ¥ 3,955,503 | ¥ 89,656 | \$ 41,277,133 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 1,975 | ¥ 1,866 | ¥ 109 | \$ 20,153 |
| Trade payables | 321,281 | 325,235 | (3,954) | 3,278,378 |
| Accrued income taxes | 38,446 | 60,057 | (21,611) | 392,306 |
| Accrued expenses | 300,439 | 291,348 | 9,091 | 3,065,704 |
| Other current liabilities | 151,418 | 165,929 | (14,511) | 1,545,081 |
| Total current liabilities | 813,559 | 844,435 | (30,876) | 8,301,622 |
| Long-term debt, excluding current installments | 1,364 | 2,117 | (753) | 13,918 |
| Accrued pension and severance cost | 272,021 | 272,131 | (110) | 2,775,724 |
| Other noncurrent liabilities | 89,639 | 82,518 | 7,121 | 914,685 |
| Total liabilities | 1,176,583 | 1,201,201 | (24,618) | 12,005,949 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 1,783,286 |
| Additional paid-in capital | 400,718 | 401,547 | (829) | 4,088,959 |
| Legal reserve | 62,485 | 61,663 | 822 | 637,602 |
| Retained earnings | 3,149,047 | 3,138,976 | 10,071 | 32,133,133 |
| Accumulated other comprehensive income (loss) | (215,918) | (367,249) | 151,331 | (2,203,245) |
| Treasury stock, at cost | (861,652) | (811,673) | (49,979) | (8,792,368) |

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| | | | | |
|---------------------------------------|--------------------|-------------|----------|----------------------|
| Total Canon Inc. stockholders' equity | 2,709,442 | 2,598,026 | 111,416 | 27,647,367 |
| Noncontrolling interests | 159,134 | 156,276 | 2,858 | 1,623,817 |
| Total equity | 2,868,576 | 2,754,302 | 114,274 | 29,271,184 |
| Total liabilities and equity | ¥ 4,045,159 | ¥ 3,955,503 | ¥ 89,656 | \$ 41,277,133 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------------------|-------------------------------|--------------------------------|
| | As of September 30, 2013 | As of December 31, 2012 | As of September 30, 2013 |
| Notes: | | | |
| 1. Allowance for doubtful receivables | ¥ 13,185 | ¥ 12,970 | \$ 134,541 |
| 2. Accumulated depreciation | 2,317,714 | 2,159,453 | 23,650,143 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (106,624) | (247,734) | (1,088,000) |
| Net unrealized gains and losses on securities | 7,414 | 4,146 | 75,653 |
| Net gains and losses on derivative instruments | (24) | (4,462) | (245) |
| Pension liability adjustments | (116,684) | (119,199) | (1,190,653) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**Consolidated statements of income**

| | Millions of yen | | | | Thousands of U.S. dollars |
|---|--|--|------------------|----|--|
| <u>Results for the third quarter</u> | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Change(%) | | Three months ended September 30, 2013 |
| Net sales | ¥ 913,149 | ¥ 799,949 | + 14.2 | \$ | 9,317,847 |
| Cost of sales | 466,017 | 413,194 | | | 4,755,276 |
| Gross profit | 447,132 | 386,755 | + 15.6 | | 4,562,571 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 279,124 | 243,403 | | | 2,848,203 |
| Research and development expenses | 77,398 | 72,475 | | | 789,776 |
| | 356,522 | 315,878 | | | 3,637,979 |
| Operating profit | 90,610 | 70,877 | + 27.8 | | 924,592 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 1,498 | 1,515 | | | 15,286 |
| Interest expense | (106) | (138) | | | (1,082) |
| Other, net | (3,946) | 2,926 | | | (40,265) |
| | (2,554) | 4,303 | | | (26,061) |
| Income before income taxes | 88,056 | 75,180 | + 17.1 | | 898,531 |
| Income taxes | 27,215 | 24,021 | | | 277,704 |
| Consolidated net income | 60,841 | 51,159 | | | 620,827 |
| Less: Net income attributable to noncontrolling interests | 2,019 | 1,020 | | | 20,603 |
| Net income attributable to Canon Inc. | ¥ 58,822 | ¥ 50,139 | + 17.3 | \$ | 600,224 |

| | Millions of yen | | | | Thousands of U.S. dollars |
|---|---|---|------------------|----|---|
| <u>Results for the nine months</u> | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change(%) | | Nine months ended September 30, 2013 |
| Net sales | ¥ 2,696,682 | ¥ 2,528,394 | + 6.7 | \$ | 27,517,163 |
| Cost of sales | 1,386,279 | 1,310,820 | | | 14,145,704 |

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| | | | | | |
|---|------------------|-----------|---|-----|---------------------|
| Gross profit | 1,310,403 | 1,217,574 | + | 7.6 | 13,371,459 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 838,107 | 749,594 | | | 8,552,112 |
| Research and development expenses | 228,559 | 221,828 | | | 2,332,235 |
| | 1,066,666 | 971,422 | | | 10,884,347 |
| Operating profit | 243,737 | 246,152 | - | 1.0 | 2,487,112 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 4,239 | 5,089 | | | 43,255 |
| Interest expense | (357) | (513) | | | (3,643) |
| Other, net | (440) | 2,721 | | | (4,489) |
| | 3,442 | 7,297 | | | 35,123 |
| Income before income taxes | 247,179 | 253,449 | - | 2.5 | 2,522,235 |
| Income taxes | 75,985 | 85,524 | | | 775,357 |
| Consolidated net income | 171,194 | 167,925 | | | 1,746,878 |
| Less: Net income attributable to noncontrolling interests | 4,963 | 4,534 | | | 50,643 |
| Net income attributable to Canon Inc. | ¥ 166,231 | ¥ 163,391 | + | 1.7 | \$ 1,696,235 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

| | Millions of yen | | | Change(%) | Thousands of U.S. dollars |
|---|--|--|--------|----------------|--|
| | Three months ended September 30, 2013 | Three months ended September 30, 2012 | | | Three months ended September 30, 2013 |
| <u>Results for the third quarter</u> | | | | | |
| Consolidated net income | ¥ 60,841 | ¥ 51,159 | + 18.9 | \$ 620,827 | |
| Other comprehensive income (loss), net of tax | | | | | |
| Foreign currency translation adjustments | 5,145 | (1,734) | | 52,500 | |
| Net unrealized gains and losses on securities | 1,757 | (61) | | 17,929 | |
| Net gains and losses on derivative instruments | 833 | (654) | | 8,500 | |
| Pension liability adjustments | 2,900 | 361 | | 29,591 | |
| | 10,635 | (2,088) | | 108,520 | |
| Comprehensive income | 71,476 | 49,071 | + 45.7 | 729,347 | |
| Less: Comprehensive income attributable to noncontrolling interests | 2,399 | 1,241 | | 24,480 | |
| Comprehensive income attributable to Canon Inc. | ¥ 69,077 | ¥ 47,830 | + 44.4 | \$ 704,867 | |

| | Millions of yen | | | Change(%) | Thousands of U.S. dollars |
|---|---|---|--------|------------------|---|
| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | | | Nine months ended September 30, 2013 |
| <u>Results for the nine months</u> | | | | | |
| Consolidated net income | ¥ 171,194 | ¥ 167,925 | + 1.9 | \$ 1,746,878 | |
| Other comprehensive income, net of tax | | | | | |
| Foreign currency translation adjustments | 142,279 | 6,632 | | 1,451,827 | |
| Net unrealized gains and losses on securities | 3,912 | 928 | | 39,918 | |
| Net gains and losses on derivative instruments | 4,440 | 243 | | 45,306 | |
| Pension liability adjustments | 2,819 | 949 | | 28,765 | |
| | 153,450 | 8,752 | | 1,565,816 | |
| Comprehensive income | 324,644 | 176,677 | + 83.8 | 3,312,694 | |
| Less: Comprehensive income attributable to noncontrolling interests | 6,796 | 4,777 | | 69,347 | |
| Comprehensive income attributable to Canon Inc. | ¥ 317,848 | ¥ 171,900 | + 84.9 | \$ 3,243,347 | |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| Results for the third quarter | Millions of yen | | | Thousands of U.S. dollars | |
|--------------------------------------|-------------------------------|--|--|------------------------------|--|
| | Sales by business unit | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Change(%) | Three months ended September 30, 2013 |
| Office | ¥ 493,865 | ¥ 409,351 | + | 20.6 | \$ 5,039,439 |
| Imaging System | 348,637 | 322,086 | + | 8.2 | 3,557,520 |
| Industry and Others | 95,074 | 92,942 | + | 2.3 | 970,143 |
| Eliminations | (24,427) | (24,430) | - | - | (249,255) |
| Total | ¥ 913,149 | ¥ 799,949 | + | 14.2 | \$ 9,317,847 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars | |
|-------------------------|--|--|------------------|--|---------------------|
| | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Change(%) | Three months ended September 30, 2013 | |
| Japan | ¥ 167,968 | ¥ 165,759 | + | 1.3 | \$ 1,713,959 |
| Overseas: | | | | | |
| <i>Americas</i> | 257,677 | 219,993 | + | 17.1 | 2,629,357 |
| <i>Europe</i> | 262,953 | 221,740 | + | 18.6 | 2,683,194 |
| <i>Asia and Oceania</i> | 224,551 | 192,457 | + | 16.7 | 2,291,337 |
| | 745,181 | 634,190 | + | 17.5 | 7,603,888 |
| Total | ¥ 913,149 | ¥ 799,949 | + | 14.2 | \$ 9,317,847 |

| Results for the nine months | Millions of yen | | | Thousands of U.S. dollars | |
|------------------------------------|-------------------------------|---|---|------------------------------|---|
| | Sales by business unit | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change(%) | Nine months ended September 30, 2013 |
| Office | ¥ 1,478,103 | ¥ 1,301,252 | + | 13.6 | \$ 15,082,684 |
| Imaging System | 1,032,757 | 995,296 | + | 3.8 | 10,538,337 |
| Industry and Others | 256,089 | 301,072 | - | 14.9 | 2,613,153 |
| Eliminations | (70,267) | (69,226) | - | - | (717,011) |
| Total | ¥ 2,696,682 | ¥ 2,528,394 | + | 6.7 | \$ 27,517,163 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars | |
|-------------------------|---|---|------------------|---|--------------|
| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change(%) | Nine months ended September 30, 2013 | |
| Japan | ¥ 503,340 | ¥ 521,483 | - | 3.5 | \$ 5,136,122 |
| Overseas: | | | | | |
| <i>Americas</i> | 771,761 | 673,521 | + | 14.6 | 7,875,112 |
| <i>Europe</i> | 805,262 | 725,129 | + | 11.1 | 8,216,959 |
| <i>Asia and Oceania</i> | 616,319 | 608,261 | + | 1.3 | 6,288,970 |
| | 2,193,342 | 2,006,911 | + | 9.3 | 22,381,041 |

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| | | | | | |
|-------|-------------|-------------|---|-----|---------------|
| Total | ¥ 2,696,682 | ¥ 2,528,394 | + | 6.7 | \$ 27,517,163 |
|-------|-------------|-------------|---|-----|---------------|

Notes: 1. The primary products included in each of the segments are as follows:

Office Business Unit:

Office multifunction devices (MFDs) / Laser multifunction printers (MFPs) / Laser printers / Digital production printing systems / High speed continuous feed printers / Wide-format printers / Document solution

Imaging System Business Unit:

Interchangeable lens digital cameras / Digital compact cameras / Digital camcorders / Digital cinema cameras / Interchangeable lenses / Inkjet printers / Large-format inkjet printers / Commercial photo printers / Image scanners / Multimedia projectors /

Broadcast equipment / Calculators

Industry and Others Business Unit:

Semiconductor lithography equipment / Flat panel display (FPD) lithography equipment / Digital radiography systems / Ophthalmic equipment / Vacuum thin-film deposition equipment / Organic LED (OLED) panel manufacturing equipment / Die bonders / Micromotors / Network cameras / Handy terminals / Document scanners

2. The principal countries and regions included in each regional category are as follows:

Americas: United States of America, Canada, Latin America

Europe: United Kingdom, Germany, France, Netherlands, European countries, Middle East and Africa

Asia and Oceania: China, Asian countries, Australia

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|--|--|--|--|
| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Nine months ended September 30, 2013 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 171,194 | ¥ 167,925 | \$ 1,746,878 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 201,052 | 185,228 | 2,051,551 |
| Loss on disposal of fixed assets | 7,409 | 9,582 | 75,602 |
| Deferred income taxes | (1,998) | (963) | (20,388) |
| Decrease in trade receivables | 100,044 | 73,160 | 1,020,857 |
| Increase in inventories | (4,746) | (113,366) | (48,429) |
| Decrease in trade payables | (59,605) | (29,573) | (608,214) |
| Increase (decrease) in accrued income taxes | (22,683) | 2,649 | (231,459) |
| Decrease in accrued expenses | (13,799) | (17,590) | (140,806) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | (11,254) | 2,621 | (114,837) |
| Other, net | (22,288) | (13,858) | (227,428) |
| Net cash provided by operating activities | 343,326 | 265,815 | 3,503,327 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (180,932) | (233,415) | (1,846,245) |
| Proceeds from sale of fixed assets | 1,378 | 2,442 | 14,061 |
| Purchases of available-for-sale securities | (3,198) | (300) | (32,633) |
| Proceeds from sale and maturity of available-for-sale securities | 3,220 | 223 | 32,857 |
| (Increase) decrease in time deposits, net | (22,888) | 79,312 | (233,551) |
| Acquisitions of subsidiaries, net of cash acquired | (4,914) | (704) | (50,143) |
| Purchases of other investments | (244) | (796) | (2,490) |
| Other, net | (31) | (1,795) | (315) |
| Net cash used in investing activities | (207,609) | (155,033) | (2,118,459) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 1,248 | 389 | 12,735 |
| Repayments of long-term debt | (1,989) | (3,632) | (20,296) |
| Increase (decrease) in short-term loans, net | 176 | (4,547) | 1,796 |
| Dividends paid | (155,627) | (142,362) | (1,588,031) |
| Repurchases of treasury stock, net | (49,992) | (149,966) | (510,122) |
| Other, net | (5,883) | (12,992) | (60,031) |

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| | | | |
|--|-----------|-----------|--------------|
| Net cash used in financing activities | (212,067) | (313,110) | (2,163,949) |
| Effect of exchange rate changes on cash and | | | |
| cash equivalents | 50,193 | (3,289) | 512,173 |
| Net change in cash and cash equivalents | (26,157) | (205,617) | (266,908) |
| Cash and cash equivalents at beginning of period | 666,678 | 773,227 | 6,802,837 |
| Cash and cash equivalents at end of period | ¥ 640,521 | ¥ 567,610 | \$ 6,535,929 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| Results for the third quarter | Millions of yen | | | | Thousands of U.S. dollars | |
|--------------------------------------|-----------------|---------------------------------------|---------------------------------------|-----------|---------------------------|---------------------------------------|
| | | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Change(%) | | Three months ended September 30, 2013 |
| Office | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 493,030 | ¥ 407,661 | + | 20.9 | \$ 5,030,918 |
| Intersegment | | 835 | 1,690 | - | 50.6 | 8,521 |
| Total | | 493,865 | 409,351 | + | 20.6 | 5,039,439 |
| Operating cost and expenses | | 426,771 | 368,203 | + | 15.9 | 4,354,806 |
| Operating profit | ¥ | 67,094 | ¥ 41,148 | + | 63.1 | \$ 684,633 |
| Imaging System | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 348,423 | ¥ 321,788 | + | 8.3 | \$ 3,555,337 |
| Intersegment | | 214 | 298 | - | 28.2 | 2,183 |
| Total | | 348,637 | 322,086 | + | 8.2 | 3,557,520 |
| Operating cost and expenses | | 291,698 | 269,478 | + | 8.2 | 2,976,510 |
| Operating profit | ¥ | 56,939 | ¥ 52,608 | + | 8.2 | \$ 581,010 |
| Industry and Others | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 71,696 | ¥ 70,500 | + | 1.7 | \$ 731,592 |
| Intersegment | | 23,378 | 22,442 | + | 4.2 | 238,551 |
| Total | | 95,074 | 92,942 | + | 2.3 | 970,143 |
| Operating cost and expenses | | 103,212 | 87,907 | + | 17.4 | 1,053,184 |

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| | | | | | | | |
|-----------------------------------|---|----------|---|----------|---|------|--------------|
| Operating profit (loss) | ¥ | (8,138) | ¥ | 5,035 | - | \$ | (83,041) |
| Corporate and Eliminations | | | | | | | |
| Net sales: | | | | | | | |
| External customers | ¥ | - | ¥ | - | - | \$ | - |
| Intersegment | | (24,427) | | (24,430) | - | | (249,255) |
| Total | | (24,427) | | (24,430) | - | | (249,255) |
| Operating cost and expenses | | 858 | | 3,484 | - | | 8,755 |
| Operating profit | ¥ | (25,285) | ¥ | (27,914) | - | \$ | (258,010) |
| Consolidated | | | | | | | |
| Net sales: | | | | | | | |
| External customers | ¥ | 913,149 | ¥ | 799,949 | + | 14.2 | \$ 9,317,847 |
| Intersegment | | - | | - | | - | - |
| Total | | 913,149 | | 799,949 | + | 14.2 | 9,317,847 |
| Operating cost and expenses | | 822,539 | | 729,072 | + | 12.8 | 8,393,255 |
| Operating profit | ¥ | 90,610 | ¥ | 70,877 | + | 27.8 | \$ 924,592 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| | Millions of yen | | | | Thousands of U.S. dollars | |
|------------------------------------|-----------------|--------------------------------------|--------------------------------------|-----------|---------------------------|--------------------------------------|
| | | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change(%) | | Nine months ended September 30, 2013 |
| Results for the nine months | | | | | | |
| Office | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 1,472,615 | ¥ 1,297,269 | + | 13.5 | \$ 15,026,684 |
| Intersegment | | 5,488 | 3,983 | + | 37.8 | 56,000 |
| Total | | 1,478,103 | 1,301,252 | + | 13.6 | 15,082,684 |
| Operating cost and expenses | | 1,274,746 | 1,148,946 | + | 10.9 | 13,007,613 |
| Operating profit | ¥ | 203,357 | ¥ 152,306 | + | 33.5 | \$ 2,075,071 |
| Imaging System | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 1,032,183 | ¥ 994,102 | + | 3.8 | \$ 10,532,479 |
| Intersegment | | 574 | 1,194 | - | 51.9 | 5,858 |
| Total | | 1,032,757 | 995,296 | + | 3.8 | 10,538,337 |
| Operating cost and expenses | | 891,059 | 839,941 | + | 6.1 | 9,092,439 |
| Operating profit | ¥ | 141,698 | ¥ 155,355 | - | 8.8 | \$ 1,445,898 |
| Industry and Others | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 191,884 | ¥ 237,023 | - | 19.0 | \$ 1,958,000 |
| Intersegment | | 64,205 | 64,049 | + | 0.2 | 655,153 |
| Total | | 256,089 | 301,072 | - | 14.9 | 2,613,153 |
| Operating cost and expenses | | 277,593 | 285,712 | - | 2.8 | 2,832,582 |
| Operating profit (loss) | ¥ | (21,504) | ¥ 15,360 | - | - | \$ (219,429) |
| Corporate and Eliminations | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | - | ¥ - | - | - | \$ - |
| Intersegment | | (70,267) | (69,226) | - | - | (717,011) |

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| | | | | | | | | |
|-----------------------------|---|------------------|---|-----------|---|-----|----|-------------------|
| Total | | (70,267) | | (69,226) | | - | | (717,011) |
| Operating cost and expenses | | 9,547 | | 7,643 | | - | | 97,417 |
| Operating profit | ¥ | (79,814) | ¥ | (76,869) | | - | \$ | (814,428) |
| Consolidated | | | | | | | | |
| Net sales: | | | | | | | | |
| External customers | ¥ | 2,696,682 | ¥ | 2,528,394 | + | 6.7 | \$ | 27,517,163 |
| Intersegment | | - | | - | | - | | - |
| Total | | 2,696,682 | | 2,528,394 | + | 6.7 | | 27,517,163 |
| Operating cost and expenses | | 2,452,945 | | 2,282,242 | + | 7.5 | | 25,030,051 |
| Operating profit | ¥ | 243,737 | ¥ | 246,152 | - | 1.0 | \$ | 2,487,112 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| <u>Results for the third quarter</u> | Millions of yen | | | | Thousands of U.S. dollars | |
|--------------------------------------|--|--|-----------|--|---------------------------|--|
| | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Change(%) | Three months ended September 30, 2013 | | |
| Japan | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 192,300 | ¥ 185,558 | + 3.6 | \$ 1,962,245 | | |
| Intersegment | 498,894 | 462,541 | + 7.9 | 5,090,755 | | |
| Total | 691,194 | 648,099 | + 6.6 | 7,053,000 | | |
| Operating cost and expenses | 614,605 | 579,714 | + 6.0 | 6,271,480 | | |
| Operating profit | ¥ 76,589 | ¥ 68,385 | + 12.0 | \$ 781,520 | | |
| Americas | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 257,536 | ¥ 219,710 | + 17.2 | \$ 2,627,918 | | |
| Intersegment | 1,938 | 6,068 | - 68.1 | 19,776 | | |
| Total | 259,474 | 225,778 | + 14.9 | 2,647,694 | | |
| Operating cost and expenses | 250,210 | 219,042 | + 14.2 | 2,553,163 | | |
| Operating profit | ¥ 9,264 | ¥ 6,736 | + 37.5 | \$ 94,531 | | |
| Europe | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 262,358 | ¥ 221,338 | + 18.5 | \$ 2,677,122 | | |
| Intersegment | 13,749 | 1,258 | + 992.9 | 140,296 | | |
| Total | 276,107 | 222,596 | + 24.0 | 2,817,418 | | |
| Operating cost and expenses | 273,939 | 212,481 | + 28.9 | 2,795,296 | | |
| Operating profit | ¥ 2,168 | ¥ 10,115 | - 78.6 | \$ 22,122 | | |
| Asia and Oceania | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 200,955 | ¥ 173,343 | + 15.9 | \$ 2,050,562 | | |
| Intersegment | 244,411 | 190,111 | + 28.6 | 2,493,989 | | |
| Total | 445,366 | 363,454 | + 22.5 | 4,544,551 | | |

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| | | | | | | | | |
|-----------------------------------|---|------------------|---|-----------|---|-------|----|--------------------|
| Operating cost and expenses | | 421,239 | | 351,425 | + | 19.9 | | 4,298,357 |
| Operating profit | ¥ | 24,127 | ¥ | 12,029 | + | 100.6 | \$ | 246,194 |
| Corporate and Eliminations | | | | | | | | |
| Net sales: | | | | | | | | |
| External customers | ¥ | - | ¥ | - | | - | \$ | - |
| Intersegment | | (758,992) | | (659,978) | | - | | (7,744,816) |
| Total | | (758,992) | | (659,978) | | - | | (7,744,816) |
| Operating cost and expenses | | (737,454) | | (633,590) | | - | | (7,525,041) |
| Operating profit | ¥ | (21,538) | ¥ | (26,388) | | - | \$ | (219,775) |
| Consolidated | | | | | | | | |
| Net sales: | | | | | | | | |
| External customers | ¥ | 913,149 | ¥ | 799,949 | + | 14.2 | \$ | 9,317,847 |
| Intersegment | | - | | - | | - | | - |
| Total | | 913,149 | | 799,949 | + | 14.2 | | 9,317,847 |
| Operating cost and expenses | | 822,539 | | 729,072 | + | 12.8 | | 8,393,255 |
| Operating profit | ¥ | 90,610 | ¥ | 70,877 | + | 27.8 | \$ | 924,592 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| <u>Results for the nine months</u> | Millions of yen | | | Thousands of U.S. dollars | |
|---|--------------------------------------|--------------------------------------|-----------|--------------------------------------|--|
| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change(%) | Nine months ended September 30, 2013 | |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 551,259 | ¥ 599,352 | - 8.0 | \$ 5,625,092 | |
| Intersegment | 1,397,770 | 1,397,550 | + 0.0 | 14,262,959 | |
| Total | 1,949,029 | 1,996,902 | - 2.4 | 19,888,051 | |
| Operating cost and expenses | 1,711,999 | 1,755,339 | - 2.5 | 17,469,378 | |
| Operating profit | ¥ 237,030 | ¥ 241,563 | - 1.9 | \$ 2,418,673 | |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 768,520 | ¥ 667,809 | + 15.1 | \$ 7,842,041 | |
| Intersegment | 8,583 | 18,157 | - 52.7 | 87,581 | |
| Total | 777,103 | 685,966 | + 13.3 | 7,929,622 | |
| Operating cost and expenses | 756,561 | 670,672 | + 12.8 | 7,720,010 | |
| Operating profit | ¥ 20,542 | ¥ 15,294 | + 34.3 | \$ 209,612 | |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 805,219 | ¥ 723,819 | + 11.2 | \$ 8,216,520 | |
| Intersegment | 39,850 | 4,311 | + 824.4 | 406,633 | |
| Total | 845,069 | 728,130 | + 16.1 | 8,623,153 | |
| Operating cost and expenses | 849,862 | 701,332 | + 21.2 | 8,672,061 | |
| Operating profit (loss) | ¥ (4,793) | ¥ 26,798 | - | \$ (48,908) | |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 571,684 | ¥ 537,414 | + 6.4 | \$ 5,833,510 | |
| Intersegment | 662,584 | 596,338 | + 11.1 | 6,761,061 | |
| Total | 1,234,268 | 1,133,752 | + 8.9 | 12,594,571 | |
| Operating cost and expenses | 1,180,587 | 1,089,659 | + 8.3 | 12,046,806 | |

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| | | | | | | | | |
|-----------------------------------|---|-------------|---|-------------|---|------|----|--------------|
| Operating profit | ¥ | 53,681 | ¥ | 44,093 | + | 21.7 | \$ | 547,765 |
| Corporate and Eliminations | | | | | | | | |
| Net sales: | | | | | | | | |
| External customers | ¥ | - | ¥ | - | | | \$ | - |
| Intersegment | | (2,108,787) | | (2,016,356) | | | | (21,518,234) |
| Total | | (2,108,787) | | (2,016,356) | | | | (21,518,234) |
| Operating cost and expenses | | (2,046,064) | | (1,934,760) | | | | (20,878,204) |
| Operating profit | ¥ | (62,723) | ¥ | (81,596) | | | \$ | (640,030) |
| Consolidated | | | | | | | | |
| Net sales: | | | | | | | | |
| External customers | ¥ | 2,696,682 | ¥ | 2,528,394 | + | 6.7 | \$ | 27,517,163 |
| Intersegment | | - | | - | | | | - |
| Total | | 2,696,682 | | 2,528,394 | + | 6.7 | | 27,517,163 |
| Operating cost and expenses | | 2,452,945 | | 2,282,242 | + | 7.5 | | 25,030,051 |
| Operating profit | ¥ | 243,737 | ¥ | 246,152 | - | 1.0 | \$ | 2,487,112 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS' EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | September 30, 2013 | December 31, 2012 | Change |
|--------------|--------------------|-------------------|--------|
| Subsidiaries | 263 | 275 | (12) |
| Affiliates | 10 | 9 | 1 |
| Total | 273 | 284 | (11) |

2. Change in Group Entities

| | |
|--------------|--------------|
| Subsidiaries | |
| Addition: | 18 companies |
| Removal: | 30 companies |

| | |
|-------------------------------------|-----------|
| Affiliates(Carried at Equity Basis) | |
| Addition: | 1 company |

3. Subsidiaries Listed on Domestic Stock Exchange

Tokyo Stock Exchange (1st section): Canon Marketing Japan Inc., Canon Electronics Inc.

(2) SIGNIFICANT ACCOUNTING POLICIES

Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.

**CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER
AND NINE MONTHS ENDED SEPTEMBER 30, 2013
SUPPLEMENTARY REPORT**

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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, plan, project or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

| | 2013 | | | 2012 | | | (Millions of yen) Change year over year | | |
|-------------------------|-------------|-----------|-----------|-------------|-----------|-----------|--|--------|--------|
| | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| | | | (P) | | | | | | |
| Japan | | | | | | | | | |
| Office | 85,181 | 270,820 | - | 87,294 | 274,887 | 368,939 | -2.4% | -1.5% | - |
| Imaging System | 52,183 | 139,867 | - | 46,678 | 139,062 | 213,465 | +11.8% | +0.6% | - |
| Industry and Others | 30,604 | 92,653 | - | 31,787 | 107,534 | 137,882 | -3.7% | -13.8% | - |
| Total | 167,968 | 503,340 | 717,300 | 165,759 | 521,483 | 720,286 | +1.3% | -3.5% | -0.4% |
| Overseas | | | | | | | | | |
| Office | 407,849 | 1,201,795 | - | 320,367 | 1,022,382 | 1,383,021 | +27.3% | +17.5% | - |
| Imaging System | 296,240 | 892,316 | - | 275,110 | 855,040 | 1,190,929 | +7.7% | +4.4% | - |
| Industry and Others | 41,092 | 99,231 | - | 38,713 | 129,489 | 185,552 | +6.1% | -23.4% | - |
| Total | 745,181 | 2,193,342 | 3,032,700 | 634,190 | 2,006,911 | 2,759,502 | +17.5% | +9.3% | +9.9% |
| Americas | | | | | | | | | |
| Office | 164,728 | 470,991 | - | 130,849 | 395,562 | 530,382 | +25.9% | +19.1% | - |
| Imaging System | 85,563 | 274,180 | - | 79,239 | 246,505 | 366,888 | +8.0% | +11.2% | - |
| Industry and Others | 7,386 | 26,590 | - | 9,905 | 31,454 | 42,603 | -25.4% | -15.5% | - |
| Total | 257,677 | 771,761 | 1,057,600 | 219,993 | 673,521 | 939,873 | +17.1% | +14.6% | +12.5% |
| Europe | | | | | | | | | |
| Office | 163,676 | 505,803 | - | 130,720 | 431,790 | 597,341 | +25.2% | +17.1% | - |
| Imaging System | 92,779 | 282,099 | - | 86,489 | 278,090 | 394,612 | +7.3% | +1.4% | - |
| Industry and Others | 6,498 | 17,360 | - | 4,531 | 15,249 | 22,085 | +43.4% | +13.8% | - |
| Total | 262,953 | 805,262 | 1,132,400 | 221,740 | 725,129 | 1,014,038 | +18.6% | +11.1% | +11.7% |
| Asia and Oceania | | | | | | | | | |
| Office | 79,445 | 225,001 | - | 58,798 | 195,030 | 255,298 | +35.1% | +15.4% | - |
| Imaging System | 117,898 | 336,037 | - | 109,382 | 330,445 | 429,429 | +7.8% | +1.7% | - |
| Industry and Others | 27,208 | 55,281 | - | 24,277 | 82,786 | 120,864 | +12.1% | -33.2% | - |
| Total | 224,551 | 616,319 | 842,700 | 192,457 | 608,261 | 805,591 | +16.7% | +1.3% | +4.6% |
| Intersegment | | | | | | | | | |
| Office | 835 | 5,488 | - | 1,690 | 3,983 | 5,615 | -50.6% | +37.8% | - |
| Imaging System | 214 | 574 | - | 298 | 1,194 | 1,577 | -28.2% | -51.9% | - |
| Industry and Others | 23,378 | 64,205 | - | 22,442 | 64,049 | 84,406 | +4.2% | +0.2% | - |
| Eliminations | (24,427) | (70,267) | - | (24,430) | (69,226) | (91,598) | - | - | - |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| Total | | | | | | | | | |
| Office | 493,865 | 1,478,103 | 1,994,900 | 409,351 | 1,301,252 | 1,757,575 | +20.6% | +13.6% | +13.5% |
| Imaging System | 348,637 | 1,032,757 | 1,465,000 | 322,086 | 995,296 | 1,405,971 | +8.2% | +3.8% | +4.2% |
| Industry and Others | 95,074 | 256,089 | 383,000 | 92,942 | 301,072 | 407,840 | +2.3% | -14.9% | -6.1% |
| Eliminations | (24,427) | (70,267) | (92,900) | (24,430) | (69,226) | (91,598) | - | - | - |
| Total | 913,149 | 2,696,682 | 3,750,000 | 799,949 | 2,528,394 | 3,479,788 | +14.2% | +6.7% | +7.8% |

(P)=Projection

2. SEGMENT INFORMATION BY BUSINESS UNIT

| | 2013 | | | 2012 | | | (Millions of yen) Change year over year | | |
|-----------------------------------|-------------|-----------|-----------|-------------|-----------|-----------|--|--------|--------|
| | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| | | | (P) | | | | | | |
| Office | | | | | | | | | |
| External customers | 493,030 | 1,472,615 | 1,988,800 | 407,661 | 1,297,269 | 1,751,960 | +20.9% | +13.5% | +13.5% |
| Intersegment | 835 | 5,488 | 6,100 | 1,690 | 3,983 | 5,615 | -50.6% | +37.8% | +8.6% |
| Total sales | 493,865 | 1,478,103 | 1,994,900 | 409,351 | 1,301,252 | 1,757,575 | +20.6% | +13.6% | +13.5% |
| Operating profit | 67,094 | 203,357 | 272,300 | 41,148 | 152,306 | 203,578 | +63.1% | +33.5% | +33.8% |
| % of sales | 13.6% | 13.8% | 13.6% | 10.1% | 11.7% | 11.6% | - | - | - |
| Imaging System | | | | | | | | | |
| External customers | 348,423 | 1,032,183 | 1,464,100 | 321,788 | 994,102 | 1,404,394 | +8.3% | +3.8% | +4.3% |
| Intersegment | 214 | 574 | 900 | 298 | 1,194 | 1,577 | -28.2% | -51.9% | -42.9% |
| Total sales | 348,637 | 1,032,757 | 1,465,000 | 322,086 | 995,296 | 1,405,971 | +8.2% | +3.8% | +4.2% |
| Operating profit | 56,939 | 141,698 | 211,800 | 52,608 | 155,355 | 210,318 | +8.2% | -8.8% | +0.7% |
| % of sales | 16.3% | 13.7% | 14.5% | 16.3% | 15.6% | 15.0% | - | - | - |
| Industry and Others | | | | | | | | | |
| External customers | 71,696 | 191,884 | 297,100 | 70,500 | 237,023 | 323,434 | +1.7% | -19.0% | -8.1% |
| Intersegment | 23,378 | 64,205 | 85,900 | 22,442 | 64,049 | 84,406 | +4.2% | +0.2% | +1.8% |
| Total sales | 95,074 | 256,089 | 383,000 | 92,942 | 301,072 | 407,840 | +2.3% | -14.9% | -6.1% |
| Operating profit | (8,138) | (21,504) | (19,000) | 5,035 | 15,360 | 5,910 | - | - | - |
| % of sales | -8.6% | -8.4% | -5.0% | 5.4% | 5.1% | 1.4% | - | - | - |
| Corporate and Eliminations | | | | | | | | | |
| External customers | - | - | - | - | - | - | - | - | - |
| Intersegment | (24,427) | (70,267) | (92,900) | (24,430) | (69,226) | (91,598) | - | - | - |
| Total sales | (24,427) | (70,267) | (92,900) | (24,430) | (69,226) | (91,598) | - | - | - |
| Operating profit | (25,285) | (79,814) | (105,100) | (27,914) | (76,869) | (95,950) | - | - | - |
| Consolidated | | | | | | | | | |
| External customers | 913,149 | 2,696,682 | 3,750,000 | 799,949 | 2,528,394 | 3,479,788 | +14.2% | +6.7% | +7.8% |
| Intersegment | - | - | - | - | - | - | - | - | - |
| Total sales | 913,149 | 2,696,682 | 3,750,000 | 799,949 | 2,528,394 | 3,479,788 | +14.2% | +6.7% | +7.8% |
| Operating profit | 90,610 | 243,737 | 360,000 | 70,877 | 246,152 | 323,856 | +27.8% | -1.0% | +11.2% |
| % of sales | 9.9% | 9.0% | 9.6% | 8.9% | 9.7% | 9.3% | - | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

| | 2013 | | | 2012 | | | (Millions of yen) Change year over year | | |
|--|-------------|---------|----------|-------------|---------|--------|--|---------|----------|
| | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| | | | (P) | | | | | | |
| Interest and dividend, net | 1,392 | 3,882 | 5,100 | 1,377 | 4,576 | 5,770 | +15 | (694) | (670) |
| Forex gain (loss) | (3,939) | (6,083) | (10,000) | 1,986 | (1,347) | 9,130 | (5,925) | (4,736) | (19,130) |
| Equity earnings (loss) of affiliated companies | (481) | (356) | (200) | 247 | 674 | 610 | (728) | (1,030) | (810) |
| Other, net | 474 | 5,999 | 5,100 | 693 | 3,394 | 3,191 | (219) | +2,605 | +1,909 |
| Total | (2,554) | 3,442 | 0 | 4,303 | 7,297 | 18,701 | (6,857) | (3,855) | (18,701) |

(P)=Projection

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2013 | | | 2012 | | |
|----------------------------|-------------|-----|-------------|-------------|-----|------|
| | 3rd quarter | YTD | Year (P) | 3rd quarter | YTD | Year |
| Office | | | | | | |
| Monochrome copiers | 16% | 16% | 16% | 16% | 16% | 16% |
| Color copiers | 18% | 19% | 19% | 19% | 19% | 19% |
| Printers | 44% | 44% | 42% | 44% | 44% | 44% |
| Others | 22% | 21% | 23% | 21% | 21% | 21% |
| Imaging System | | | | | | |
| Cameras | 68% | 68% | 68% | 71% | 71% | 70% |
| Inkjet printers | 24% | 24% | 25% | 22% | 21% | 22% |
| Others | 8% | 8% | 7% | 7% | 8% | 8% |
| Industry and Others | | | | | | |
| Lithography equipment | 9% | 10% | 18% | 14% | 18% | 15% |
| Others | 91% | 90% | 82% | 86% | 82% | 85% |

(P)=Projection

5. SALES GROWTH IN LOCAL CURRENCY (Year over year)

| | 2013 | | |
|----------------------------|-------------|--------|-------------|
| | 3rd quarter | YTD | Year (P) |
| Office | | | |
| Japan | -2.4% | -1.5% | - |
| Overseas | -0.1% | -4.3% | - |
| Total | -0.8% | -3.6% | -3.2% |
| Imaging System | | | |
| Japan | +11.8% | +0.6% | - |
| Overseas | -16.0% | -15.3% | - |
| Total | -12.0% | -13.1% | -11.9% |
| Industry and Others | | | |
| Japan | -3.7% | -13.8% | - |
| Overseas | -4.0% | -31.0% | - |
| Total | -1.9% | -18.2% | -9.6% |
| Total | | | |
| Japan | +1.3% | -3.5% | -0.4% |
| Overseas | -7.3% | -10.7% | -9.5% |
| Americas | -7.1% | -6.2% | -7.4% |
| Europe | -10.0% | -10.9% | -9.9% |
| Asia and Oceania | -4.3% | -15.5% | -11.4% |
| Total | -5.5% | -9.2% | -7.6% |

(P)=Projection

6. PROFITABILITY

| | 2013 | | 2012 | |
|--------|------|----------|------|------|
| | YTD | Year (P) | YTD | Year |
| ROE *1 | 8.4% | 8.9% | 8.8% | 8.7% |
| ROA *2 | 5.5% | 5.9% | 5.7% | 5.7% |

(P)=Projection

*1 Return on Equity; Based on Net Income attributable to Canon Inc. and Total Canon Inc. Stockholders Equity

*2 Return on Assets; Based on Net Income attributable to Canon Inc.

7. IMPACT OF FOREIGN EXCHANGE RATES**(1) Exchange rates**

| | 2013 | | | 2012 | | (Yen) |
|----------|-------------|-----------------|----------|-------------|--------|-------|
| | 3rd quarter | 4th quarter (P) | Year (P) | 3rd quarter | Year | |
| Yen/US\$ | 98.91 | 97.00 | 96.95 | 78.58 | 79.96 | |
| Yen/Euro | 131.09 | 130.00 | 128.24 | 98.48 | 102.80 | |

(P)=Projection

(2) Impact of foreign exchange rates on sales (Year over year)

| | (Billions of yen) | |
|------------------|-------------------|----------|
| | 2013 | Year (P) |
| US\$ | +68.3 | +240.1 |
| Euro | +52.7 | +171.6 |
| Other currencies | +20.3 | +77.0 |
| Total | +141.3 | +488.7 |

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | (Billions of yen) | |
|---------------------|-------------------|----------|
| | 2013 | Year (P) |
| On sales | | |
| US\$ | 4.7 | |
| Euro | 2.1 | |
| On operating profit | | |
| US\$ | 1.8 | |
| Euro | 1.2 | |

(P)=Projection

8. STATEMENTS OF CASH FLOWS

| | 2013 | | 2012 | | (Millions of yen) |
|--|-------------|-----------|-------------|-----------|-------------------|
| | 3rd quarter | Year (P) | 3rd quarter | Year | |
| Net cash provided by operating activities | 125,437 | 515,000 | 63,848 | 384,077 | |
| Net cash used in investing activities | (68,343) | (300,000) | (43,256) | (212,740) | |
| Free cash flow | 57,094 | 215,000 | 20,592 | 171,337 | |
| Net cash used in financing activities | (126,713) | (210,000) | (125,569) | (319,739) | |
| Effect of exchange rate changes on cash and cash equivalents | 2,366 | 38,300 | (1,460) | 41,853 | |
| Net change in cash and cash equivalents | (67,253) | 43,300 | (106,437) | (106,549) | |
| Cash and cash equivalents at end of period | 640,521 | 710,000 | 567,610 | 666,678 | |

(P)=Projection

9. R&D EXPENDITURE

(Millions of yen)

| | 2013 | | 2012 | |
|----------------------------|-------------|----------|-------------|---------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| Office | 26,117 | - | 24,854 | 99,484 |
| Imaging System | 20,638 | - | 19,471 | 83,948 |
| Industry and Others | 6,703 | - | 6,122 | 25,635 |
| Corporate and Eliminations | 23,940 | - | 22,028 | 87,397 |
| Total | 77,398 | 300,000 | 72,475 | 296,464 |
| % of sales | 8.5% | 8.0% | 9.1% | 8.5% |

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2013 | | 2012 | |
|-------------------------------|-------------|----------|-------------|---------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| Increase in PP&E | 47,076 | 230,000 | 57,339 | 270,457 |
| Depreciation and amortization | 69,399 | 255,000 | 64,322 | 258,133 |

(P)=Projection

11. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2013 | | 2012 | | Difference |
|---------------------|---------|---------|--------|--------|------------|
| | Sep.30 | Dec.31 | Sep.30 | Dec.31 | |
| Office | 226,946 | 201,661 | | | +25,285 |
| Imaging System | 254,270 | 245,973 | | | +8,297 |
| Industry and Others | 126,489 | 103,989 | | | +22,500 |
| Total | 607,705 | 551,623 | | | +56,082 |

(2) Inventories/Sales*

(Days)

| | 2013 | | 2012 | | Difference |
|---------------------|--------|--------|--------|--------|------------|
| | Sep.30 | Dec.31 | Sep.30 | Dec.31 | |
| Office | 41 | 43 | | | (2) |
| Imaging System | 63 | 61 | | | +2 |
| Industry and Others | 176 | 124 | | | +52 |
| Total | 59 | 57 | | | +2 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | 2013 | | 2012 | | Difference |
|---------------------------|--------|--------|--------|--------|------------|
| | Sep.30 | Dec.31 | Sep.30 | Dec.31 | |
| Total debt / Total assets | 0.1% | 0.1% | | | 0.0% |

13. OVERSEAS PRODUCTION RATIO

| | 2013 | | 2012 | |
|---------------------------|------|------|------|------|
| | YTD | Year | YTD | Year |
| Overseas production ratio | 58% | | 52% | |

14. NUMBER OF EMPLOYEES

| | 2013 | | 2012 | | Difference |
|----------|---------|---------|--------|--------|------------|
| | Sep.30 | Dec.31 | Sep.30 | Dec.31 | |
| Japan | 70,162 | 70,234 | | | (72) |
| Overseas | 127,509 | 126,734 | | | +775 |
| Total | 197,671 | 196,968 | | | +703 |

