

CANON INC
Form 6-K
July 28, 2015

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 **July** **2015**,

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 . **July 28, 2015**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama
Deputy Senior General Manager
Group Management Center
Canon Inc.

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

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2015

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND**THE FIRST HALF ENDED JUNE 30, 2015**

July 27, 2015

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

| | Actual | | Change(%) | | |
|---|-------------------------------------|-------------------------------------|-----------|------|-------------------------------------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2014 | | | Three months ended June 30, 2015 |
| Sales | ¥ 974,406 | ¥ 926,796 | + | 5.1 | \$ 7,986,934 |
| Operating profit | 104,712 | 110,549 | - | 5.3 | 858,295 |
| Income before income taxes | 103,235 | 116,975 | - | 11.7 | 846,189 |
| Income attributable to Canon Inc. | ¥ 68,195 | ¥ 80,848 | - | 15.7 | \$ 558,975 |
| Income attributable to Canon Inc. stockholders per share: | | | | | |
| Basic | ¥ 62.45 | ¥ 72.61 | - | 14.0 | \$ 0.51 |
| Diluted | 62.44 | 72.61 | - | 14.0 | 0.51 |

CONSOLIDATED RESULTS FOR THE FIRST HALF

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

| | Actual | | Change(%) | | | Projected | |
|---|-----------------------------------|-----------------------------------|-----------|------|-----------------------------------|-------------------------------------|--------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2014 | | | Six months ended June 30, 2015 | Year ending December 31, 2015 | Change |
| Sales | ¥ 1,831,851 | ¥ 1,795,108 | + | 2.0 | \$ 15,015,172 | ¥ 3,930,000 | + |
| Operating profit | 170,909 | 193,188 | - | 11.5 | 1,400,893 | 380,000 | + |
| Income before income taxes | 164,516 | 196,166 | - | 16.1 | 1,348,492 | 380,000 | - |
| Income attributable to Canon Inc. | ¥ 102,125 | ¥ 128,458 | - | 20.5 | \$ 837,090 | ¥ 245,000 | - |
| Income attributable to Canon Inc. stockholders per share: | | | | | | | |
| Basic | ¥ 93.52 | ¥ 114.47 | - | 18.3 | \$ 0.77 | ¥ 224.36 | - |
| Diluted | 93.52 | 114.47 | - | 18.3 | 0.77 | - | - |

| | As of June 30, 2015 | Actual As of December 31, 2014 | Change(%) | As of June 30, 2015 |
|--------------------------------|------------------------|--------------------------------------|-----------|------------------------|
| assets | ¥ 4,548,076 | ¥ 4,460,618 | + 2.0 | \$ 37,279,311 |
| Canon Inc. stockholders equity | ¥ 3,005,227 | ¥ 2,978,184 | + 0.9 | \$ 24,633,008 |

- 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 JPY122=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2015, 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

2015 Second Quarter in Review

Looking back at the global economy in the second quarter of 2015, the U.S. economy continued recovering smoothly as employment conditions and consumer spending steadily improved. In Europe, although the U.K. and Germany showed signs of economic recovery, the Russian economy remained stagnant. The pace of economic expansion in China gradually declined while Southeast Asian countries faced slowdowns owing to local currency depreciation. As for the Japanese economy, improvement was seen in the corporate sector and employment conditions continued to recover. As a result, the global economy overall continued to realize moderate growth.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) and laser printers maintained steady growth, mainly for color models, while demand for semiconductor lithography equipment also increased, fueled by continued customer investment. As for cameras, demand continued to decline both for interchangeable-lens digital cameras and digital compact cameras. Additionally, demand for inkjet printers also decreased from the previous year due to sluggish market conditions in Southeast Asian countries.

The average values of the yen during the second quarter and first half of the year were ¥121.47 and ¥120.39 against the U.S. dollar, respectively, year-on-year depreciations of approximately ¥19 and ¥18, and ¥134.47 and ¥134.19 against the euro, respectively, year-on-year appreciations of approximately ¥5 and ¥6.

During the second quarter, despite firm sales in Japan, interchangeable-lens digital cameras continued to face severe conditions in other regions while sales volume for digital compact cameras decreased in most regions compared with the same period of the previous year. By contrast, sales of MFDs were strong and unit sales of semiconductor lithography equipment exceeded those for the same period of the previous year. Consequently, boosted by the positive effect of favorable currency exchange rates, second quarter net sales increased 5.1% year on year to ¥974.4 billion. Net sales for the six months ended June 30, 2015 totaled ¥1,831.9 billion, a year-on-year increase of 2.0%. The gross profit ratio for the second quarter, at 51.7%, remained at a high level thanks to highly profitable new products and ongoing cost-cutting activities, while operating expenses increased 7.0% year on year to ¥399.1 billion owing to such factors as the increase in foreign-currency-denominated operating expenses after conversion into yen due to the depreciation of the yen, along with the increase in R&D expenses related to new business and new products. As a result, second-quarter operating profit decreased by 5.3% to ¥104.7 billion. Other income (deductions) decreased by ¥7.9 billion due to foreign currency exchange losses, leading to a year-on-year decline in income before income taxes of 11.7% to ¥103.2 billion, and a decrease in net income attributable to Canon Inc. of 15.7% to ¥68.2 billion. Operating profit for the first half of the year decreased by 11.5% to ¥170.9 billion while income before income tax decreased by 16.1% to ¥164.5 billion and first-half net income attributable to Canon Inc. decreased by 20.5% to ¥102.1 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥62.45 for the second quarter, a year-on-year decrease of ¥10.16, and ¥93.52 for the first half, a year-on-year decrease of ¥20.95.

Results by Segment

Looking at Canon's second-quarter performance by business unit, within the Office Business Unit, as for office MFDs, in addition to healthy demand for the color A4 (letter and legal-sized) imageRUNNER ADVANCE C350/C250 lineup and color imagePRESS C800/C700 models for the light production market, sales of new small-office/home-office color A3 (12 x18 ") imageRUNNER ADVANCE C3300-series models, which feature high image quality, user-friendliness and productivity, proved popular in markets around the world. Among high-speed continuous-feed printers and wide-format printers, the new Océ-produced VarioPrint i300, Canon's first high-speed sheet-fed color inkjet press, gained favorable reviews. As for laser printers, despite steadily growing demand for color models, total sales volume decreased due to weak sales of monochrome models. As a result, coupled with the positive effect of favorable currency exchange rates, sales for the business unit totaled ¥537.0 billion, a year-on-year increase of 2.8%, while operating profit totaled ¥79.4 billion, declining 9.9% due to the increase in R&D and other expenses. Sales for the combined first six months of the year totaled ¥1,066.1 billion, a year-on-year increase of 3.3%, while operating profit totaled ¥151.1 billion, a year-on-year decline of 5.9%.

Within the Imaging System Business Unit, although total sales volume of interchangeable-lens digital cameras declined due to market shrinkage, unit sales of interchangeable-lens digital cameras increased from the same period of the previous year in Japan thanks to healthy demand for such new models as the EOS 5DS, EOS 5DS R and EOS M3. As for digital compact cameras, although sales volume declined amid the ongoing contraction of the market due to the effects of the growing popularity of smartphones, profitability improved thanks to the growing ratio of high-added-value models featuring high image quality and high-magnification zoom capabilities, along with a smooth transition from old products to new products. As for inkjet printers, although sales volume in developed countries, such as the U.S. and Western European nations, increased from the same period of the previous year thanks to sales promotions for new products featuring enhanced mobile-device compatibility and MAXIFY business-model inkjet printers, total sales volume declined slightly due to economic stagnation in Southeast Asian countries. As a result, along with the positive effect of favorable currency exchange rates, sales for the business unit increased slightly to ¥332.5 billion, while operating profit totaled ¥50.5 billion, a decline of 0.9%. Sales for the combined first six months of the year totaled ¥595.2 billion, a year-on-year decrease of 4.8%, while operating profit totaled ¥79.6 billion, declining of 14.4% year on year.

In the Industry and Others Business Unit, within the semiconductor lithography equipment segment, ongoing strong investment by manufacturers led to an increase in second-quarter unit sales of lithography systems for memory devices, image sensors and power semiconductor devices compared with the same period of the previous year. As for FPD lithography equipment, amid solid market growth, unit sales for the quarter matched those for the corresponding period of the previous year, and progress was also made in orders and shipments. Looking at medical equipment, although sales volume for Canon's mainstay digital radiography systems decreased from the same period of the previous year owing to fierce market competition, total sales for the segment increased year on year thanks to efforts to boost sales of high-value-added models. Consequently, along with the impact of the acquisition of Axis, which became a consolidated subsidiary in the second quarter, sales for the business unit increased 36.8% year on year to ¥130.4 billion, while operating profit recorded a loss of ¥3.1 billion owing to upfront investment into next-generation technologies. Sales for the combined first six months of the year totaled ¥219.7 billion, a year-on-year increase of 18.7%, while the operating loss totaled ¥10.9 billion.

Cash Flow

During the first half of 2015, cash flow from operating activities totaled ¥224.7 billion, declining ¥69.8 billion compared with the same period of the previous year due to the decrease in profit along with an increase in inventory. Cash flow from investing activities increased ¥163.9 billion year on year to ¥306.0 billion, mainly due to the payment for the acquisition of Axis. Accordingly, free cash flow totaled negative ¥81.3 billion, a decrease of ¥233.7 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥123.6 billion, mainly arising from the dividend payout.

Owing to these factors, as well as the negative impact of foreign currency translation adjustments, cash and cash equivalents decreased by ¥217.6 billion to ¥627.0 billion from the end of the previous year.

Outlook

As for the outlook in the third quarter onward, the U.S. is expected to continue to lead the recovery of the global economy while projections for the European economy point to recovery mainly in Western Europe despite the uncertainty surrounding the political tensions between Russia and Ukraine. As for the Asian economy, beginning with China, despite lingering concerns, exports to the U.S. and Western Europe are expected to support a gradual recovery. With regard to the Japanese economy, the outlook indicates a gradual acceleration of the recovery trend amid improvements in employment conditions. Overall, the global economy is expected to move toward a modest recovery.

In the businesses in which Canon is involved, demand for MFDs is projected to expand moderately, mainly for color models. Likewise, demand for color multifunction models in the laser printer market is also expected to continue to realize growth. As for interchangeable-lens digital cameras, despite the slight weakness in the Chinese market, demand is expected to gradually recover in Europe and Southeast Asia, and continue to pick up momentum in the U.S. and Japanese markets. Within the digital compact camera market, although projections point to continued market contraction for low-end models, demand for high-added-value models featuring high image quality and high-magnification zoom capabilities is expected to grow steadily. Looking at inkjet printers, forecasts indicate a year-on-year decline in sales due to weak market conditions in Southeast Asian countries. Within the industrial equipment market, the outlook points to an increase in demand for semiconductor lithography equipment compared with the previous year as manufacturers are expected to boost capital outlays in response to growing demand for memory devices, image sensors and power semiconductors, while demand for FPD lithography equipment is also projected to increase as device manufacturers boost capital investment for larger-size LCD panels offering higher levels of resolution.

With regard to currency exchange rates for the third quarter onward, on which the Company's performance outlook is based, Canon anticipates exchange rates of ¥125 to the U.S. dollar and ¥135 to the euro, representing a depreciation of approximately ¥17 against the U.S. dollar and an appreciation of approximately ¥6 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration these foreign exchange rate assumptions and the impact of the acquisition of Axis, Canon projects full-year consolidated net sales in 2015 of ¥3,930.0 billion, a year-on-year increase of 5.4%; operating profit of ¥380.0 billion, a year-on-year increase of 4.5%; income before income taxes of ¥380.0 billion, a year-on-year decrease of 0.8%; and net income attributable to Canon Inc. of ¥245.0 billion, a year-on-year decrease of 3.8%.

Consolidated Outlook

| Fiscal year | Millions of yen | | | | |
|----------------------------|----------------------|---------------------|----------|-------------------|-------------|
| | Year ending | | | Year ended | |
| | December 31, 2015 | | Change | December 31, 2014 | Change (%) |
| | Previous Outlook (A) | Revised Outlook (B) | (B - A) | Results (C) | (B - C) / C |
| Net sales | ¥ 3,860,000 | ¥ 3,930,000 | ¥ 70,000 | ¥ 3,727,252 | +5.4% |
| Operating profit | 380,000 | 380,000 | - | 363,489 | +4.5% |
| Income before income taxes | 390,000 | 380,000 | (10,000) | 383,239 | -0.8% |

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| | | | | | |
|--|-----------|-----------|------------|-----------|-------|
| Net income attributable to Canon Inc. | ¥ 255,000 | ¥ 245,000 | ¥ (10,000) | ¥ 254,797 | -3.8% |
|--|-----------|-----------|------------|-----------|-------|

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Basic Policy Regarding Profit Distribution

Canon is being more proactive in returning profits to shareholders, mainly in the form of a dividend, taking into consideration medium-term profit forecasts along with planned future investments, cash flow and other factors.

Canon Inc. plans to distribute an interim dividend of ¥75.00 per share for the fiscal year 2015, half the amount of the annual dividend paid out in fiscal 2014, to provide a stable return to shareholders. The year-end dividend, however, has yet to be decided.

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, 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.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

II. Financial Statements**1. CONSOLIDATED BALANCE SHEETS**

| | As of | | Millions of yen | | Change |
|--|---------------|------------------|----------------------------|-----------|-------------|
| | June 30, 2015 | | As of December 31, 2014 | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | ¥ | 626,965 | ¥ | 844,580 | ¥ (217,615) |
| Short-term investments | | 18,141 | | 71,863 | (53,722) |
| Trade receivables, net | | 565,561 | | 625,675 | (60,114) |
| Inventories | | 591,483 | | 528,167 | 63,316 |
| Prepaid expenses and other current assets | | 328,763 | | 321,648 | 7,115 |
| Total current assets | | 2,130,913 | | 2,391,933 | (261,020) |
| Noncurrent receivables | | 30,117 | | 29,785 | 332 |
| Investments | | 72,937 | | 65,176 | 7,761 |
| Property, plant and equipment, net | | 1,261,446 | | 1,269,529 | (8,083) |
| Intangible assets, net | | 239,297 | | 177,288 | 62,009 |
| Goodwill | | 489,558 | | 211,336 | 278,222 |
| Other assets | | 323,808 | | 315,571 | 8,237 |
| Total assets | ¥ | 4,548,076 | ¥ | 4,460,618 | ¥ 87,458 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short-term loans and current portion of long-term debt | ¥ | 804 | ¥ | 1,018 | ¥ (214) |
| Trade payables | | 319,708 | | 310,214 | 9,494 |
| Accrued income taxes | | 49,812 | | 57,212 | (7,400) |
| Accrued expenses | | 323,191 | | 345,237 | (22,046) |
| Other current liabilities | | 216,472 | | 207,698 | 8,774 |
| Total current liabilities | | 909,987 | | 921,379 | (11,392) |
| Long-term debt, excluding current installments | | 1,071 | | 1,148 | (77) |
| Accrued pension and severance cost | | 283,919 | | 280,928 | 2,991 |
| Other noncurrent liabilities | | 131,317 | | 116,405 | 14,912 |

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| | | | |
|---|--------------------|-------------|----------|
| Total liabilities | 1,326,294 | 1,319,860 | 6,434 |
| Equity: | | | |
| Canon Inc. shareholders' equity: | | | |
| Common stock | 174,762 | 174,762 | - |
| Additional paid-in capital | 401,386 | 401,563 | (177) |
| Legal reserve | 65,574 | 64,599 | 975 |
| Retained earnings | 3,328,695 | 3,320,392 | 8,303 |
| Accumulated other comprehensive income (loss) | 45,209 | 28,286 | 16,923 |
| Treasury stock, at cost | (1,010,399) | (1,011,418) | 1,019 |
| Total Canon Inc. shareholders' equity | 3,005,227 | 2,978,184 | 27,043 |
| Noncontrolling interests | 216,555 | 162,574 | 53,981 |
| Total equity | 3,221,782 | 3,140,758 | 81,024 |
| Total liabilities and equity | ¥ 4,548,076 | ¥ 4,460,618 | ¥ 87,458 |

Millions of yen

As of
June 30, 2015

As of
December 31, 2014

Notes:

| | | |
|---|------------------|-----------|
| 1. Allowance for doubtful receivables | ¥ 11,874 | ¥ 12,122 |
| 2. Accumulated depreciation | 2,564,260 | 2,519,259 |
| 3. Accumulated other comprehensive income (loss): | | |
| Foreign currency translation adjustments | 156,787 | 144,557 |
| Net unrealized gains and losses on securities | 16,663 | 12,546 |
| Net gains and losses on derivative instruments | (1,380) | (2,603) |
| Pension liability adjustments | (126,861) | (126,214) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME ANDCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**Consolidated statements of income****Results for the second quarter**

| | Millions of yen | | |
|---|---|--|-----------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2014 | Change(%) |
| Net sales | ¥ 974,406 | ¥ 926,796 | + 5.1 |
| Cost of sales | 470,613 | 443,286 | |
| Gross profit | 503,793 | 483,510 | + 4.2 |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 315,388 | 296,074 | |
| Research and development expenses | 83,693 | 76,887 | |
| | 399,081 | 372,961 | |
| Operating profit | 104,712 | 110,549 | - 5.3 |
| Other income (deductions): | | | |
| Interest and dividend income | 1,686 | 2,313 | |
| Interest expense | (260) | (131) | |
| Other, net | (2,903) | 4,244 | |
| | (1,477) | 6,426 | |
| Income before income taxes | 103,235 | 116,975 | - 11.7 |
| Income taxes | 32,355 | 34,567 | |
| Consolidated net income | 70,880 | 82,408 | |
| Less: Net income attributable to noncontrolling interests | 2,685 | 1,560 | |
| Net income attributable to Canon Inc. | ¥ 68,195 | ¥ 80,848 | - 15.7 |

Results for the first half

| | Millions of yen | | |
|--|---|--------------------------------------|-----------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2014 | Change(%) |

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| | | | | | |
|---|--------------------|---|-----------|---|------|
| Net sales | ¥ 1,831,851 | ¥ | 1,795,108 | + | 2.0 |
| Cost of sales | 889,494 | | 880,116 | | |
| Gross profit | 942,357 | | 914,992 | + | 3.0 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 608,516 | | 570,099 | | |
| Research and development expenses | 162,932 | | 151,705 | | |
| | 771,448 | | 721,804 | | |
| Operating profit | 170,909 | | 193,188 | - | 11.5 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 3,273 | | 3,917 | | |
| Interest expense | (361) | | (234) | | |
| Other, net | (9,305) | | (705) | | |
| | (6,393) | | 2,978 | | |
| Income before income taxes | 164,516 | | 196,166 | - | 16.1 |
| Income taxes | 58,784 | | 63,180 | | |
| Consolidated net income | 105,732 | | 132,986 | | |
| Less: Net income attributable to noncontrolling interests | 3,607 | | 4,528 | | |
| Net income attributable to Canon Inc. | ¥ 102,125 | ¥ | 128,458 | - | 20.5 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income**Results for the second quarter**

| | Millions of yen | | |
|---|--|--|-----------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2014 | Change(%) |
| Consolidated net income | ¥ 70,880 | ¥ 82,408 | - 14.0 |
| Other comprehensive income (loss), net of tax | | | |
| Foreign currency translation adjustments | 70,246 | (20,254) | |
| Net unrealized gains and losses on securities | 4,115 | (69) | |
| Net gains and losses on derivative instruments | (1,988) | 639 | |
| Pension liability adjustments | (353) | (576) | |
| | 72,020 | (20,260) | |
| Comprehensive income | 142,900 | 62,148 | + 129.9 |
| Less: Comprehensive income attributable to noncontrolling interests | 7,216 | 1,509 | |
| Comprehensive income attributable to Canon Inc. | ¥ 135,684 | ¥ 60,639 | + 123.8 |

Results for the first half

| | Millions of yen | | |
|---|---|--------------------------------------|-----------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2014 | Change(%) |
| Consolidated net income | ¥ 105,732 | ¥ 132,986 | - 20.5 |
| Other comprehensive income (loss), net of tax | | | |
| Foreign currency translation adjustments | 16,118 | (52,990) | |
| Net unrealized gains and losses on securities | 4,587 | (1,388) | |
| Net gains and losses on derivative instruments | 1,225 | 3,017 | |
| Pension liability adjustments | (658) | 13,361 | |
| | 21,272 | (38,000) | |
| Comprehensive income | 127,004 | 94,986 | + 33.7 |
| Less: Comprehensive income attributable to noncontrolling interests | 7,956 | 4,242 | |
| Comprehensive income attributable to Canon Inc. | ¥ 119,048 | ¥ 90,744 | + 31.2 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES**Results for the second quarter**

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|--|-------------------------------------|-----------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2014 | |
| Office | ¥ 536,954 | ¥ 522,493 | + 2.8 |
| Imaging System | 332,534 | 332,387 | + 0.0 |
| Industry and Others | 130,367 | 95,317 | + 36.8 |
| Eliminations | (25,449) | (23,401) | - |
| Total | ¥ 974,406 | ¥ 926,796 | + 5.1 |

| Sales by region | Millions of yen | | Change(%) |
|-------------------------|--|-------------------------------------|-----------|
| | Three months ended June 30, 2015 | Three months ended June 30, 2014 | |
| Japan | ¥ 175,537 | ¥ 164,554 | + 6.7 |
| Overseas: | | | |
| <i>Americas</i> | 292,824 | 253,170 | + 15.7 |
| <i>Europe</i> | 277,197 | 272,348 | + 1.8 |
| <i>Asia and Oceania</i> | 228,848 | 236,724 | - 3.3 |
| | 798,869 | 762,242 | + 4.8 |
| Total | ¥ 974,406 | ¥ 926,796 | + 5.1 |

Results for the first half

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|--------------------------------------|-----------------------------------|-----------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2015 | |
| Office | ¥ 1,066,085 | ¥ 1,031,669 | + 3.3 |
| Imaging System | 595,192 | 625,196 | - 4.8 |
| Industry and Others | 219,670 | 185,087 | + 18.7 |
| Eliminations | (49,096) | (46,844) | - |

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| | | | | | |
|-------|------------|---|-----------|---|-----|
| Total | ¥1,831,851 | ¥ | 1,795,108 | + | 2.0 |
|-------|------------|---|-----------|---|-----|

Millions of yen

| Sales by region | Six months ended | | Change(%) |
|------------------|------------------|---------------|-----------|
| | June 30, 2015 | June 30, 2015 | |
| Japan | ¥ 340,680 | ¥ 356,267 | - 4.4 |
| Overseas: | | | |
| Americas | 541,799 | 481,701 | + 12.5 |
| Europe | 523,156 | 534,259 | - 2.1 |
| Asia and Oceania | 426,216 | 422,881 | + 0.8 |
| | 1,491,171 | 1,438,841 | + 3.6 |
| Total | ¥1,831,851 | ¥ 1,795,108 | + 2.0 |

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 solutions

Imaging System Business Unit :

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

Industry and Others Business Unit :

Semiconductor lithography equipment / FPD (Flat panel display) 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 | |
|--|-----------------------------------|-----------------------------------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2014 |
| Cash flows from operating activities: | | |
| Consolidated net income | ¥ 105,732 | ¥ 132,986 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 131,977 | 123,515 |
| Loss on disposal of fixed assets | 2,396 | 5,442 |
| Deferred income taxes | (1,740) | (316) |
| Decrease in trade receivables | 60,974 | 60,413 |
| (Increase) decrease in inventories | (56,480) | 2,603 |
| Increase in trade payables | 16,687 | 11,141 |
| Increase (decrease) in accrued income taxes | (7,177) | 8,851 |
| Decrease in accrued expenses | (28,223) | (23,657) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | 3,690 | (6,827) |
| Other, net | (3,124) | (19,664) |
| Net cash provided by operating activities | 224,712 | 294,487 |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (117,501) | (112,613) |
| Proceeds from sale of fixed assets | 2,103 | 2,487 |
| Purchases of available-for-sale securities | (98) | (226) |
| Proceeds from sale and maturity of available-for-sale securities | 183 | 51 |
| (Increase) decrease in time deposits, net | 51,936 | (31,044) |
| Acquisitions of subsidiaries, net of cash acquired | (241,386) | (11,301) |
| Purchases of other investments | (965) | - |
| Other, net | (278) | 10,579 |
| Net cash used in investing activities | (306,006) | (142,067) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 435 | 700 |
| Repayments of long-term debt | (712) | (1,126) |
| Decrease in short-term loans, net | - | (48) |
| Dividends paid | (92,806) | (73,905) |
| Repurchases of treasury stock, net | 803 | (100,001) |
| Other, net | (31,285) | (2,007) |
| Net cash used in financing activities | (123,565) | (176,387) |
| Effect of exchange rate changes on cash and cash equivalents | (12,756) | (20,258) |
| Net change in cash and cash equivalents | (217,615) | (44,225) |

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| | | | |
|--|------------------|---|---------|
| Cash and cash equivalents at beginning of period | 844,580 | | 788,909 |
| Cash and cash equivalents at end of period | ¥ 626,965 | ¥ | 744,684 |

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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 second quarter

| | Millions of yen | | |
|-----------------------------|---------------------------|--------------------|-----------|
| | Three months ended | | |
| | June 30, | Three months ended | Change(%) |
| | 2015 | June 30, 2014 | |
| Office | | | |
| Net sales: | | | |
| External customers | ¥ 536,282 | ¥ 521,719 | + 2.8 |
| Intersegment | 672 | 774 | - 13.2 |
| Total | 536,954 | 522,493 | + 2.8 |
| Operating cost and expenses | 457,571 | 434,374 | + 5.3 |
| Operating profit | ¥ 79,383 | ¥ 88,119 | - 9.9 |
| Imaging System | | | |
| Net sales: | | | |
| External customers | ¥ 332,208 | ¥ 332,272 | - 0.0 |
| Intersegment | 326 | 115 | + 183.5 |
| Total | 332,534 | 332,387 | + 0.0 |
| Operating cost and expenses | 282,045 | 281,425 | + 0.2 |
| Operating profit | ¥ 50,489 | ¥ 50,962 | - 0.9 |
| Industry and Others | | | |
| Net sales: | | | |
| External customers | ¥ 105,916 | ¥ 72,805 | + 45.5 |
| Intersegment | 24,451 | 22,512 | + 8.6 |
| Total | 130,367 | 95,317 | + 36.8 |

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| | | | | |
|-----------------------------------|-------------------|------------|---|------|
| Operating cost and expenses | 133,444 | 97,804 | + | 36.4 |
| Operating profit | ¥ (3,077) | ¥ (2,487) | | - |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | | - |
| Intersegment | (25,449) | (23,401) | | - |
| Total | (25,449) | (23,401) | | - |
| Operating cost and expenses | (3,366) | 2,644 | | - |
| Operating profit | ¥ (22,083) | ¥ (26,045) | | - |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 974,406 | ¥ 926,796 | + | 5.1 |
| Intersegment | - | - | | - |
| Total | 974,406 | 926,796 | + | 5.1 |
| Operating cost and expenses | 869,694 | 816,247 | + | 6.5 |
| Operating profit | ¥ 104,712 | ¥ 110,549 | - | 5.3 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the first half

| | Millions of yen | | | |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------|-------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2014 | Change(%) | |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,064,781 | ¥ 1,029,818 | + | 3.4 |
| Intersegment | 1,304 | 1,851 | - | 29.6 |
| Total | 1,066,085 | 1,031,669 | + | 3.3 |
| Operating cost and expenses | 914,986 | 871,093 | + | 5.0 |
| Operating profit | ¥ 151,099 | ¥ 160,576 | - | 5.9 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 594,557 | ¥ 624,885 | - | 4.9 |
| Intersegment | 635 | 311 | + | 104.2 |
| Total | 595,192 | 625,196 | - | 4.8 |
| Operating cost and expenses | 515,585 | 532,208 | - | 3.1 |
| Operating profit | ¥ 79,607 | ¥ 92,988 | - | 14.4 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 172,513 | ¥ 140,405 | + | 22.9 |
| Intersegment | 47,157 | 44,682 | + | 5.5 |
| Total | 219,670 | 185,087 | + | 18.7 |
| Operating cost and expenses | 230,586 | 195,195 | + | 18.1 |
| Operating profit | ¥ (10,916) | ¥ (10,108) | | - |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | | - |
| Intersegment | (49,096) | (46,844) | | - |
| Total | (49,096) | (46,844) | | - |

| | | | | |
|-----------------------------|------------|-------------|---|------|
| Operating cost and expenses | (215) | 3,424 | - | |
| Operating profit | ¥ (48,881) | ¥ (50,268) | - | |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥1,831,851 | ¥ 1,795,108 | + | 2.0 |
| Intersegment | - | - | | - |
| Total | 1,831,851 | 1,795,108 | + | 2.0 |
| Operating cost and expenses | 1,660,942 | 1,601,920 | + | 3.7 |
| Operating profit | ¥ 170,909 | ¥ 193,188 | - | 11.5 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

Results for the second quarter

| | Millions of yen | | | |
|-----------------------------|--------------------|-------------------------------------|---|-----------|
| | Three months ended | | | |
| | June 30, 2015 | Three months ended June 30, 2014 | | Change(%) |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 209,224 | ¥ 212,549 | - | 1.6 |
| Intersegment | 452,526 | 430,486 | + | 5.1 |
| Total | 661,750 | 643,035 | + | 2.9 |
| Operating cost and expenses | 580,320 | 531,906 | + | 9.1 |
| Operating profit | ¥ 81,430 | ¥ 111,129 | - | 26.7 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 291,830 | ¥ 252,634 | + | 15.5 |
| Intersegment | 6,389 | 1,808 | + | 253.4 |
| Total | 298,219 | 254,442 | + | 17.2 |
| Operating cost and expenses | 285,817 | 250,214 | + | 14.2 |
| Operating profit | ¥ 12,402 | ¥ 4,228 | + | 193.3 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 277,979 | ¥ 272,004 | + | 2.2 |
| Intersegment | 23,901 | 14,517 | + | 64.6 |
| Total | 301,880 | 286,521 | + | 5.4 |
| Operating cost and expenses | 295,778 | 286,152 | + | 3.4 |
| Operating profit | ¥ 6,102 | ¥ 369 | | - |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 195,373 | ¥ 189,609 | + | 3.0 |

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| | | | | |
|-----------------------------------|-------------------|------------|---|------|
| Intersegment | 244,075 | 196,288 | + | 24.3 |
| Total | 439,448 | 385,897 | + | 13.9 |
| Operating cost and expenses | 417,377 | 369,843 | + | 12.9 |
| Operating profit | ¥ 22,071 | ¥ 16,054 | + | 37.5 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | - |
| Intersegment | (726,891) | (643,099) | - | - |
| Total | (726,891) | (643,099) | - | - |
| Operating cost and expenses | (709,598) | (621,868) | - | - |
| Operating profit | ¥ (17,293) | ¥ (21,231) | - | - |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 974,406 | ¥ 926,796 | + | 5.1 |
| Intersegment | - | - | - | - |
| Total | 974,406 | 926,796 | + | 5.1 |
| Operating cost and expenses | 869,694 | 816,247 | + | 6.5 |
| Operating profit | ¥ 104,712 | ¥ 110,549 | - | 5.3 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the first half

| | Millions of yen | | Change(%) | |
|-----------------------------|-----------------------------------|-----------------------------------|-----------|-------|
| | Six months ended June 30, 2015 | Six months ended June 30, 2014 | | |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 391,661 | ¥ 421,194 | - | 7.0 |
| Intersegment | 884,560 | 837,577 | + | 5.6 |
| Total | 1,276,221 | 1,258,771 | + | 1.4 |
| Operating cost and expenses | 1,128,668 | 1,070,703 | + | 5.4 |
| Operating profit | ¥ 147,553 | ¥ 188,068 | - | 21.5 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 539,429 | ¥ 480,834 | + | 12.2 |
| Intersegment | 10,556 | 2,501 | + | 322.1 |
| Total | 549,985 | 483,335 | + | 13.8 |
| Operating cost and expenses | 533,353 | 474,539 | + | 12.4 |
| Operating profit | ¥ 16,632 | ¥ 8,796 | + | 89.1 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 524,328 | ¥ 533,577 | - | 1.7 |
| Intersegment | 38,552 | 25,993 | + | 48.3 |
| Total | 562,880 | 559,570 | + | 0.6 |
| Operating cost and expenses | 556,550 | 554,170 | + | 0.4 |
| Operating profit | ¥ 6,330 | ¥ 5,400 | + | 17.2 |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 376,433 | ¥ 359,503 | + | 4.7 |
| Intersegment | 459,656 | 387,922 | + | 18.5 |
| Total | 836,089 | 747,425 | + | 11.9 |

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| | | | | |
|-----------------------------------|--------------------|-------------|---|------|
| Operating cost and expenses | 797,033 | 714,483 | + | 11.6 |
| Operating profit | ¥ 39,056 | ¥ 32,942 | + | 18.6 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | | - |
| Intersegment | (1,393,324) | (1,253,993) | | - |
| Total | (1,393,324) | (1,253,993) | | - |
| Operating cost and expenses | (1,354,662) | (1,211,975) | | - |
| Operating profit | ¥ (38,662) | ¥ (42,018) | | - |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,831,851 | ¥ 1,795,108 | + | 2.0 |
| Intersegment | - | - | | - |
| Total | 1,831,851 | 1,795,108 | + | 2.0 |
| Operating cost and expenses | 1,660,942 | 1,601,920 | + | 3.7 |
| Operating profit | ¥ 170,909 | ¥ 193,188 | - | 11.5 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. SHAREHOLDERS' EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | June 30, 2015 | December 31, 2014 | Change |
|--------------|---------------|-------------------|--------|
| Subsidiaries | 304 | 261 | 43 |
| Affiliates | 5 | 7 | (2) |
| Total | 309 | 268 | 41 |

2. Change in Group Entities

| | |
|--------------|--------------|
| Subsidiaries | |
| Addition: | 47 companies |
| Removal: | 4 companies |

| | |
|--------------------------------------|-------------|
| Affiliates (Carried at Equity Basis) | |
| Removal: | 2 companies |

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 RESULTS FOR THE SECOND QUARTER

AND THE FIRST HALF ENDED JUNE 30, 2015

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.

Canon Inc.

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(Millions of yen)

Change year over year

| | 2015 | | | 2014 | | | Change year over year | | |
|-------------------------|-------------|-----------|-----------|-------------|-----------|-----------|-----------------------|----------|--------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Japan | | | | | | | | | |
| Office | 96,594 | 191,754 | - | 94,670 | 196,690 | 380,594 | +2.0% | -2.5% | - |
| Imaging | | | | | | | | | |
| System | 48,582 | 86,736 | - | 39,913 | 93,256 | 207,281 | +21.7% | -7.0% | - |
| Industry and | | | | | | | | | |
| Others | 30,361 | 62,190 | - | 29,971 | 66,321 | 136,442 | +1.3% | -6.2% | - |
| Total | 175,537 | 340,680 | 723,400 | 164,554 | 356,267 | 724,317 | +6.7% | -4.4% | -0.1% |
| Overseas | | | | | | | | | |
| Office | 439,688 | 873,027 | - | 427,049 | 833,128 | 1,695,194 | +3.0% | +4.8% | - |
| Imaging | | | | | | | | | |
| System | 283,626 | 507,821 | - | 292,359 | 531,629 | 1,135,220 | -3.0% | -4.5% | - |
| Industry and | | | | | | | | | |
| Others | 75,555 | 110,323 | - | 42,834 | 74,084 | 172,521 | +76.4% | +48.9% | - |
| Total | 798,869 | 1,491,171 | 3,206,600 | 762,242 | 1,438,841 | 3,002,935 | +4.8% | +3.6% | +6.8% |
| Americas | | | | | | | | | |
| Office | 175,131 | 351,959 | - | 155,822 | 311,988 | 656,783 | +12.4% | +12.8% | - |
| Imaging | | | | | | | | | |
| System | 97,489 | 161,469 | - | 90,473 | 156,370 | 345,707 | +7.8% | +3.3% | - |
| Industry and | | | | | | | | | |
| Others | 20,204 | 28,371 | - | 6,875 | 13,343 | 34,010 | +193.9% | +112.6% | - |
| Total | 292,824 | 541,799 | 1,191,100 | 253,170 | 481,701 | 1,036,500 | +15.7% | +12.5% | +14.9% |
| Europe | | | | | | | | | |
| Office | 176,078 | 343,581 | - | 170,435 | 343,967 | 689,275 | +3.3% | -0.1% | - |
| Imaging | | | | | | | | | |
| System | 86,026 | 157,074 | - | 94,597 | 176,148 | 367,050 | -9.1% | -10.8% | - |
| Industry and | | | | | | | | | |
| Others | 15,093 | 22,501 | - | 7,316 | 14,144 | 34,159 | +106.3% | +59.1% | - |
| Total | 277,197 | 523,156 | 1,067,800 | 272,348 | 534,259 | 1,090,484 | +1.8% | -2.1% | -2.1% |
| Asia and Oceania | | | | | | | | | |
| Office | 88,479 | 177,487 | - | 100,792 | 177,173 | 349,136 | -12.2% | +0.2% | - |
| Imaging | | | | | | | | | |
| System | 100,111 | 189,278 | - | 107,289 | 199,111 | 422,463 | -6.7% | -4.9% | - |
| Industry and | | | | | | | | | |
| Others | 40,258 | 59,451 | - | 28,643 | 46,597 | 104,352 | +40.6% | +27.6% | - |
| Total | 228,848 | 426,216 | 947,700 | 236,724 | 422,881 | 875,951 | -3.3% | +0.8% | +8.2% |
| Intersegment | | | | | | | | | |
| Office | 672 | 1,304 | - | 774 | 1,851 | 2,944 | -13.2% | -29.6% | - |
| Imaging | | | | | | | | | |
| System | 326 | 635 | - | 115 | 311 | 693 | +183.5% | +104.2% | - |
| Industry and | | | | | | | | | |
| Others | 24,451 | 47,157 | - | 22,512 | 44,682 | 89,802 | +8.6% | +5.5% | - |
| Eliminations | (25,449) | (49,096) | - | (23,401) | (46,844) | (93,439) | - | - | - |

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| | | | | | | | | | |
|--------------|----------|-----------|-----------|----------|-----------|-----------|--------|--------|--------|
| Total | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| Total | | | | | | | | | |
| Office | 536,954 | 1,066,085 | 2,195,100 | 522,493 | 1,031,669 | 2,078,732 | +2.8% | +3.3% | +5.6% |
| Imaging | | | | | | | | | |
| System | 332,534 | 595,192 | 1,310,000 | 332,387 | 625,196 | 1,343,194 | +0.0% | -4.8% | -2.5% |
| Industry and | | | | | | | | | |
| Others | 130,367 | 219,670 | 515,200 | 95,317 | 185,087 | 398,765 | +36.8% | +18.7% | +29.2% |
| Eliminations | (25,449) | (49,096) | (90,300) | (23,401) | (46,844) | (93,439) | - | - | - |
| Total | 974,406 | 1,831,851 | 3,930,000 | 926,796 | 1,795,108 | 3,727,252 | +5.1% | +2.0% | +5.4% |

(P)=Projection

- S1 -

Canon Inc.

2. SEGMENT INFORMATION BY BUSINESS UNIT

| | 2015 | | | 2014 | | | (Millions of yen) Change year over year | | |
|----------------------------------|-------------|-----------|-----------|-------------|-----------|-----------|--|----------|---------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Office | | | | | | | | | |
| External customers | 536,282 | 1,064,781 | 2,194,000 | 521,719 | 1,029,818 | 2,075,788 | +2.8% | +3.4% | +5.1% |
| Intra-segment | 672 | 1,304 | 1,100 | 774 | 1,851 | 2,944 | -13.2% | -29.6% | -62.1% |
| Total sales | 536,954 | 1,066,085 | 2,195,100 | 522,493 | 1,031,669 | 2,078,732 | +2.8% | +3.3% | +5.1% |
| Operating profit | 79,383 | 151,099 | 306,800 | 88,119 | 160,576 | 292,057 | -9.9% | -5.9% | +5.1% |
| % of sales | 14.8% | 14.2% | 14.0% | 16.9% | 15.6% | 14.0% | - | - | - |
| Imaging | | | | | | | | | |
| External customers | 332,208 | 594,557 | 1,308,500 | 332,272 | 624,885 | 1,342,501 | -0.0% | -4.9% | -2.1% |
| Intra-segment | 326 | 635 | 1,500 | 115 | 311 | 693 | +183.5% | +104.2% | +116.1% |
| Total sales | 332,534 | 595,192 | 1,310,000 | 332,387 | 625,196 | 1,343,194 | +0.0% | -4.8% | -2.1% |
| Operating profit | 50,489 | 79,607 | 203,000 | 50,962 | 92,988 | 194,601 | -0.9% | -14.4% | +4.1% |
| % of sales | 15.2% | 13.4% | 15.5% | 15.3% | 14.9% | 14.5% | - | - | - |
| Business and Industry and | | | | | | | | | |
| External customers | 105,916 | 172,513 | 427,500 | 72,805 | 140,405 | 308,963 | +45.5% | +22.9% | +38.1% |
| Intra-segment | 24,451 | 47,157 | 87,700 | 22,512 | 44,682 | 89,802 | +8.6% | +5.5% | -2.1% |
| Total sales | 130,367 | 219,670 | 515,200 | 95,317 | 185,087 | 398,765 | +36.8% | +18.7% | +29.1% |
| Operating profit | (3,077) | (10,916) | (19,400) | (2,487) | (10,108) | (21,801) | - | - | - |
| % of sales | -2.4% | -5.0% | -3.8% | -2.6% | -5.5% | -5.5% | - | - | - |
| Corporate | | | | | | | | | |
| External customers | - | - | - | - | - | - | - | - | - |
| Intra-segment | (25,449) | (49,096) | (90,300) | (23,401) | (46,844) | (93,439) | - | - | - |
| Total sales | (25,449) | (49,096) | (90,300) | (23,401) | (46,844) | (93,439) | - | - | - |
| Operating profit | (22,083) | (48,881) | (110,400) | (26,045) | (50,268) | (101,368) | - | - | - |
| Consolidated | | | | | | | | | |
| External customers | 974,406 | 1,831,851 | 3,930,000 | 926,796 | 1,795,108 | 3,727,252 | +5.1% | +2.0% | +5.1% |
| Intra-segment | - | - | - | - | - | - | - | - | - |
| Total sales | 974,406 | 1,831,851 | 3,930,000 | 926,796 | 1,795,108 | 3,727,252 | +5.1% | +2.0% | +5.1% |
| Operating profit | 104,712 | 170,909 | 380,000 | 110,549 | 193,188 | 363,489 | -5.3% | -11.5% | +4.1% |
| % of sales | 10.7% | 9.3% | 9.7% | 11.9% | 10.8% | 9.8% | - | - | - |

| OTHER INCOME / DEDUCTIONS | 2015 | | | 2014 | | | Change year over year | | |
|---|-------------|----------|----------|-------------|----------|--------|-----------------------|----------|----------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Interest and dividend, net | 1,426 | 2,912 | 3,000 | 2,182 | 3,683 | 7,406 | (756) | (771) | (4,409) |
| Forex gain (loss) | (7,600) | (15,526) | (19,500) | (1,848) | (7,655) | 2,628 | (5,752) | (7,871) | (22,100) |
| Equity earnings of affiliated companies | 6 | 307 | 300 | 119 | 212 | 478 | (113) | +95 | (1,000) |
| Other, net | 4,691 | 5,914 | 16,200 | 5,973 | 6,738 | 9,238 | (1,282) | (824) | +6,900 |
| Total | (1,477) | (6,393) | 0 | 6,426 | 2,978 | 19,750 | (7,903) | (9,371) | (19,700) |

(P)=Projected

(Millions of yen)

(P)=Projected

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2015 | | | 2014 | | |
|----------------------------|-------------|----------|----------|-------------|----------|------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year |
| Office | | | | | | |
| Monochrome copiers | 16% | 15% | 16% | 16% | 15% | 16% |
| Color copiers | 21% | 20% | 20% | 19% | 19% | 19% |
| Printers | 41% | 42% | 41% | 43% | 43% | 42% |
| Others | 22% | 23% | 23% | 22% | 23% | 23% |
| Imaging System | | | | | | |
| Cameras | 66% | 63% | 62% | 67% | 64% | 64% |
| Inkjet printers | 25% | 28% | 29% | 25% | 27% | 27% |
| Others | 9% | 9% | 9% | 8% | 9% | 9% |
| Industry and Others | | | | | | |
| Lithography equipment | 23% | 21% | 22% | 28% | 22% | 23% |
| Others | 77% | 79% | 78% | 72% | 78% | 77% |

(P)=Projection

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

| | 2015 | | |
|----------------------------|-------------|----------|----------|
| | 2nd quarter | 1st half | Year (P) |
| Office | | | |
| Japan | +2.0% | -2.5% | - |
| Overseas | -6.8% | -4.3% | - |
| Total | -5.2% | -4.0% | -1.2% |
| Imaging System | | | |
| Japan | +21.7% | -7.0% | - |
| Overseas | -11.7% | -12.2% | - |
| Total | -7.6% | -11.4% | -8.5% |
| Industry and Others | | | |
| Japan | +1.3% | -6.2% | - |
| Overseas | +71.8% | +44.7% | - |
| Total | +34.7% | +17.0% | +27.6% |
| Total | | | |
| Japan | +6.7% | -4.4% | -0.1% |
| Overseas | -4.2% | -4.7% | -0.9% |
| Americas | -2.2% | -4.1% | -0.0% |
| Europe | +2.7% | -0.7% | -0.4% |
| Asia and Oceania | -14.4% | -10.4% | -2.4% |
| Total | -2.3% | -4.6% | -0.7% |

(P)=Projection

6. PROFITABILITY

| | 2015 | | 2014 | |
|--------|----------|----------|----------|------|
| | 1st half | Year (P) | 1st half | Year |
| ROE *1 | 6.8% | 8.1% | 9.0% | 8.7% |
| ROA *2 | 4.5% | 5.4% | 6.2% | 5.9% |

*1 Return on Equity ; Based on Net Income attributable to Canon Inc. and Total Canon Inc. Shareholders Equity (P)=Projection

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

7. IMPACT OF FOREIGN EXCHANGE RATES

(1) Exchange rates

| | 2015 | | | | 2014 | | | (Yen) |
|----------|-------------|----------|--------------|----------|-------------|----------|--------|-------|
| | 2nd quarter | 1st half | 2nd half (P) | Year (P) | 2nd quarter | 1st half | Year | |
| Yen/US\$ | 121.47 | 120.39 | 125.00 | 122.83 | 102.13 | 102.40 | 106.18 | |
| Yen/Euro | 134.47 | 134.19 | 135.00 | 134.60 | 139.94 | 140.35 | 140.62 | |

(P)=Projection

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

| | 2015 | | | (Billions of yen) |
|------------------|-------------|----------|----------|-------------------|
| | 2nd quarter | 1st half | Year (P) | |
| US\$ | +59.4 | +105.3 | +196.8 | |
| Euro | (10.0) | (21.5) | (43.1) | |
| Other currencies | +10.6 | +17.2 | +34.9 | |
| Total | +60.0 | +101.0 | +188.6 | |

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | (Billions of yen) | |
|---------------------|-------------------|--------------|
| | 2015 | 2nd half (P) |
| On sales | | |
| US\$ | 7.8 | |
| Euro | 3.3 | |
| On operating profit | | |
| US\$ | 2.7 | |
| Euro | 1.5 | |

(P)=Projection

8. STATEMENTS OF CASH FLOWS

| | 2015 | | | 2014 | | | (Millions of yen) |
|--|-------------|----------|----------|-------------|----------|---------|-------------------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | |
| | 125,260 | 224,712 | 502,000 | 162,233 | 294,487 | 583,927 | |

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| | | | | | | |
|--|-----------|-----------|-----------|----------|-----------|----------------|
| Net cash provided by operating activities | | | | | | |
| Net cash used in investing activities | (272,285) | (306,006) | (492,000) | (85,592) | (142,067) | (269,298) |
| Free cash flow | (147,025) | (81,294) | 10,000 | 76,641 | 152,420 | 314,629 |
| Net cash used in financing activities | (28,962) | (123,565) | (179,000) | (50,643) | (176,387) | (300,886) |
| Effect of exchange rate changes on cash and cash equivalents | 9,251 | (12,756) | (25,600) | (8,405) | (20,258) | 41,928 |
| Net change in cash and cash equivalents | (166,736) | (217,615) | (194,600) | 17,593 | (44,225) | 55,671 |
| Cash and cash equivalents at end of period | 626,965 | 626,965 | 650,000 | 744,684 | 744,684 | 844,580 |
| | | | | | | (P)=Projection |

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9. R&D**EXPENDITURE**

| | 2015 | | | 2014 | | | (Millions of yen) |
|----------------------------|-------------|----------|----------|-------------|----------|---------|-------------------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | |
| Office | 27,246 | 54,618 | - | 26,013 | 50,699 | 104,391 | |
| Imaging System | 23,449 | 44,888 | - | 21,026 | 41,966 | 87,510 | |
| Industry and Others | 18,085 | 30,369 | - | 6,549 | 12,743 | 26,516 | |
| Corporate and Eliminations | 14,913 | 33,057 | - | 23,299 | 46,297 | 90,562 | |
| Total | 83,693 | 162,932 | 330,000 | 76,887 | 151,705 | 308,979 | |
| % of sales | 8.6% | 8.9% | 8.4% | 8.3% | 8.5% | 8.3% | |

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

| | 2015 | | | 2014 | | | (Millions of yen) |
|-------------------------------|-------------|----------|----------|-------------|----------|---------|-------------------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | |
| Increase in PP&E | 58,829 | 104,031 | 200,000 | 46,963 | 85,017 | 182,343 | |
| Depreciation and amortization | 67,561 | 131,977 | 270,000 | 62,163 | 123,515 | 263,480 | |

(P)=Projection

11. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2015 | 2014 | Difference |
|---------------------|---------|---------|------------|
| | Jun.30 | Dec.31 | |
| Office | 255,842 | 238,344 | +17,498 |
| Imaging System | 189,020 | 168,802 | +20,218 |
| Industry and Others | 146,621 | 121,021 | +25,600 |
| Total | 591,483 | 528,167 | +63,316 |

(2) Inventories/Sales*

(Days)

| | 2015 | 2014 | Difference |
|---------------------|--------|--------|------------|
| | Jun.30 | Dec.31 | |
| Office | 44 | 42 | +2 |
| Imaging System | 58 | 43 | +15 |
| Industry and Others | 157 | 132 | +25 |
| Total | 59 | 50 | +9 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | 2015 | 2014 | Difference |
|---------------------------|--------|--------|------------|
| | Jun.30 | Dec.31 | |
| Total debt / Total assets | 0.0% | 0.0% | 0.0% |

13. OVERSEAS PRODUCTION RATIO*

| | 2015 | 2014 |
|---------------------------|----------|------|
| | 1st half | Year |
| Overseas production ratio | 48% | 45% |

*From this quarter, the method used to calculate the overseas production ratio has changed. The distinctions between domestic and overseas of parts supplied overseas from Japan as well as other adjustments have been made to more accurately reflect the underlying reality. Past figures have been adjusted to conform to the new method of calculation.

14. NUMBER OF EMPLOYEES

| | 2015 | 2014 | Difference |
|----------|---------|---------|------------|
| | Jun.30 | Dec.31 | |
| Japan | 69,272 | 69,201 | +71 |
| Overseas | 125,726 | 122,688 | +3,038 |
| Total | 194,998 | 191,889 | +3,109 |

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