

CANON INC
Form 6-K
August 08, 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 **August**, **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 . **August 8, 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. Quarterly Report filed with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan For the second quarter ended June 30, 2013

[English summary with full translation of consolidated financial information]

**Quarterly Report filed with the Japanese government
pursuant to
the Financial Instruments and Exchange Law of Japan**

For the second quarter ended

June 30, 2013

CANON INC.

Tokyo, Japan

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Disclaimer Regarding Forward-Looking Statements

This quarterly report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) concerning Canon Inc. (the Company) and its subsidiaries (collectively Canon). To the extent that statements in this quarterly report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Canon in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Canon's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Canon undertakes no obligation to publicly update any forward-looking statements after the date of this quarterly report. Investors are advised to consult any further disclosures by Canon in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, foreign currency exchange rate fluctuations; the uncertainty of Canon's ability to implement its plans to localize production and other measures to reduce the impact of foreign currency exchange rate fluctuations; uncertainty as to economic conditions in Canon's major markets; uncertainty of continued demand for Canon's high-value-added products; Canon's ability to continue to develop products and to market products that incorporate new technology on a timely basis, are competitively priced, and achieve market acceptance; the possibility of losses resulting from foreign currency transactions designed to reduce financial risks from changes in foreign currency exchange rates; disasters, outages or similar events; and inventory risk due to disruptions in supply chains and shifts in market demand.

I. Corporate Information

(1) Consolidated Financial Summary

	Millions of yen (except per share amounts)				Year ended
	Six months	Six months	Three months	Three months	
					December 31,
	ended	ended	ended	ended	2012
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	
Net sales	1,783,533	1,728,445	966,880	899,205	3,479,788
Income before income taxes	159,123	178,269	98,868	85,545	342,557
Net income attributable to Canon Inc.	107,409	113,252	66,496	51,714	224,564
Comprehensive income	253,168	127,606	124,796	(6,321)	351,778
Canon Inc. stockholders' equity	-	-	2,690,371	2,499,617	2,598,026
Total equity	-	-	2,848,283	2,658,194	2,754,302
Total assets	-	-	4,109,526	3,861,436	3,955,503
Net income attributable to Canon Inc. stockholders per share:					
Basic (yen)	93.17	95.26	57.68	43.71	191.34
Diluted (yen)	93.17	95.25	57.68	43.71	191.34
Canon Inc. stockholders' equity to total assets (%)	-	-	65.5	64.7	65.7
Cash flows from operating activities	217,889	201,967	-	-	384,077
Cash flows from investing activities	(139,266)	(111,777)	-	-	(212,740)
Cash flows from financing activities	(85,354)	(187,541)	-	-	(319,739)
Cash and cash equivalents at end of period	-	-	707,774	674,047	666,678

Notes:

1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. Consumption tax is excluded from the stated amount of net sales.

(2) Description of Business

Canon prepares quarterly consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Financial information presented in sections II. The Business is also in conformity with U.S.GAAP.

Canon (consisting of the Company, 271 consolidated subsidiaries and 9 affiliates accounted for using the equity method, collectively, the Group) is engaged in the development, manufacture, sale and service primarily in the fields of office, imaging system, industry and others. No material change in Canon's business has occurred during the six months ended June 30, 2013.

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No additions or removals of significant group entities have occurred during the six months ended June 30, 2013.

II. The Business

(1) Risk Factors

No material changes are recognized pursuant to the risk factors of Canon's business indicated in the Annual Securities Report (Yukashoken houkokusho) of the previous fiscal year.

(2) Significant Business Contracts Entered into in the Second Quarter of Fiscal 2013

No material contracts were entered into during the three months ended June 30, 2013.

(3) Operating Results

Looking back at the global economy in the first half of 2013, in the United States, the economic recovery continued moderately ahead of other developed countries amid expanding personal spending backed by improvements in the housing market and employment conditions, while in Europe, the economy as a whole remained sluggish. In China, although the economy continued to grow, the pace of growth weakened and most of the other emerging countries also experienced low growth. The Japanese economy showed signs of recovery with an improvement in the export environment along with the effects of other stimulation measures. Although a recovery was evident in some economies, such as in the U.S., the global economy overall remained flat.

As for the markets in which Canon operates amid these conditions, demand for multifunction devices (MFDs) declined due to economic uncertainty and a deceleration in economic growth in emerging countries, while demand for laser printers decreased due to the sluggish economy. Demand for interchangeable-lens digital cameras displayed strong growth all over the world, while demand for digital compact cameras continued to shrink both in developed countries and emerging markets. Overall demand for inkjet printers also declined due to the continued weak economy. In the industry and others sector, demand for semiconductor lithography equipment saw an easing of the curb on capital expenditure for memory devices, while lithography equipment used in the production of flat panel displays (FPD) continued to face sluggish demand for large-size panels despite the healthy market for mid- and small-size panels used mainly in smartphones and tablet PCs.

The average values of the yen during the second quarter and first half of the year were ¥98.80 and ¥95.96 to the U.S. dollar, respectively, year-on-year depreciations of approximately ¥19 and ¥16, and ¥129.02 and ¥125.90 to the euro, respectively, year-on-year depreciations of approximately ¥27 and ¥22.

[Second-quarter results]

Net sales for the second quarter increased 7.5% year on year to ¥966.9 billion, boosted by steady sales of competitive MFDs and laser printers, along with increased sales of inkjet printers and the positive effect of favorable currency exchange rates. The gross profit ratio for the second quarter rose 0.5 points to 49.4% from the year-ago period, thanks to the effects of ongoing cost-cutting efforts along with the depreciation of the yen. Despite Group-wide efforts to thoroughly reduce spending, foreign-currency-denominated operating expenses increased after conversion into yen due to the depreciation of the yen, resulting in an increase in second-quarter operating expenses of 9.1% year on year to ¥379.0 billion. Consequently, second-quarter operating profit increased by 6.2% to ¥98.4 billion compared with the corresponding period of the previous year. Other income increased by ¥7.6 billion for the second quarter from the year-ago period due to foreign currency exchange gains while income before income taxes increased by 15.6% year on year to ¥98.9 billion. Net income attributable to Canon Inc. increased by 28.6% to ¥66.5 billion for the second quarter.

Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥57.68, an increase of ¥13.97 compared with the corresponding quarter of the previous year.

(3) Operating Results (continued)

[First-half results]

Despite the decreased demand for digital compact cameras and industrial equipment, net sales for the first six months increased 3.2% year on year to ¥1,783.5 billion, owing to the steady sales of competitive MFDs and laser printers along with increased sales of inkjet printers and the positive effect of favorable currency exchange rates. The gross profit ratio for the first half rose 0.3 points to 48.4% from the year-ago period, thanks to the effects of ongoing cost-cutting efforts along with the depreciation of the yen. Despite Group-wide efforts to thoroughly reduce spending, foreign-currency-denominated operating expenses increased after conversion into yen due to the depreciation of the yen, resulting in an increase in first-half operating expenses of 8.3% year on year to ¥710.1 billion. Consequently, operating profit for the first half of the year decreased by 12.6% to ¥153.1 billion owing to the large decline in the first quarter. Other income increased by ¥3.0 billion for the first half from the year-ago period due to foreign currency exchange gains while income before income taxes decreased by 10.7% year on year to ¥159.1 billion. First-half net income attributable to Canon Inc. decreased by 5.2% to ¥107.4 billion.

Basic net income attributable to Canon Inc. stockholders per share for the first half of 2013 was ¥93.17, a year-on-year decrease of ¥2.09.

Looking at Canon's first-half performance by business unit, within the Office Business Unit, as for office MFDs, led by the enhanced imageRUNNER ADVANCE C5200/C2200 series lineups, sales of color models increased from the year-ago period. Sales of production printing systems continued to grow steadily, with the new imagePRESS C1+II contributing to healthy sales in Japan. As for high speed continuous feed printers and wide-format printers, sales of the Océ ColorStream 3000 series showed solid growth. Despite the continued shrinking of the market as a whole, laser printers recorded an increase in sales volume year on year owing to sales expansion efforts centered on laser multifunction printers. As a result, sales for the combined first six months of the year totaled ¥984.2 billion, increasing 10.4% year on year, while operating profit increased by 22.6% to ¥136.3 billion.

Within the Imaging System Business Unit, sales of EOS 5D Mark III and 6D advanced-amateur-model interchangeable-lens digital cameras continued to grow. Furthermore, in Japan, the new entry-level EOS Digital Rebel SL1/T5i cameras have proved popular, further contributing to sales and helping the company to maintain its top share of the global market. As for digital compact cameras, sales volume declined from the previous year due to the market slowdown and the increasing popularity of smartphones, despite efforts to increase sales through the introduction of such new products as the Powershot SX280 HS, equipped with a high-magnification zoom lens that exceeds the capabilities of lenses offered by smartphones, and the ELPH 115 IS. The Cinema EOS System, which has earned high marks from professionals working in the motion-picture and television production industries, received a boost in product appeal through upgrades in related software aimed at increasing convenience for users. As for inkjet printers, with the market recognizing new products featuring improved designs and operability in addition to enhanced print quality and other basic functionality, the segment enjoyed solid sales growth, as well as an increase in sales of consumable supplies, even when excluding the effects of the favorable foreign exchange rate. As a result of the above, sales for the first six months totaled ¥684.1 billion, rising 1.6% year on year, while operating profit totaled ¥84.8 billion, a decrease of 17.5% year on year.

In the Industry and Others Business Unit, although investment in semiconductor lithography equipment used to produce image sensors grew steadily, sales volume of semiconductor lithography equipment declined from the previous year owing to restrained capital expenditure for memory devices due to the inventory correction in the NAND flash memory market. As for FPD lithography equipment, shrinking demand for equipment used in the production of large-size panels led to a sales decline for the period. Consequently, sales for the first half of the year totaled ¥161.0 billion, a decrease of 22.6%, while operating profit recorded a loss of ¥13.4 billion, a decrease of ¥23.7 billion, from the year-ago period.

(3) Operating Results (continued)

First-half results by major geographic area are summarized as follows:

Japan

Although interchangeable-lens digital cameras showed solid growth in Japan for the first half, net sales declined 6.7% from the year-ago period to ¥1,257.8 billion, due to a decrease in sales of industry and others caused by the restrained capital expenditure for semiconductor lithography equipment. Operating profit decreased 7.4% year on year to ¥160.4 billion for the first half.

Net sales outside Japan increased in all areas due to the solid sales growth of office MFDs, laser printers and inkjet printers along with the effects of depreciation of the yen.

Americas

Despite the sales decline of digital compact cameras from the previous year due to the significant market slowdown, robust sales increase of inkjet printers including consumable supplies, along with the depreciation of the yen against the U.S. dollar, caused sales increase for the first half by 12.5% from the year-ago period to ¥517.6 billion. Operating profit for the first half totaled ¥11.3 billion, an increase of 31.8% year on year.

Europe

Although the sales of interchangeable-lens digital cameras dipped due to shifting to lower-priced products as well as digital compact cameras decreased owing to shrinking market, amid the situation of increasing uncertainty in European economy, sales of inkjet printers and MFDs showed steady sales growth. As a result, along with the effect of depreciation of the yen, sales for the first six months increased by 12.5% from the same period of the previous year to ¥569.0 billion. Operating profit for the first half, however, posted a loss of ¥7.0 billion due to an increase of operating expenses by the negative effect of the depreciation of the yen.

Asia and Oceania

Sales of interchangeable-lens digital cameras, which have been an engine for solid growth in Asia and Oceania showed slowdown in growth. In addition, sales of digital compact cameras and laser printers faced harsh conditions. Color office MFDs, on the other hand, showed steady sales growth along with inkjet printers including consumable supplies. As a consequence of above, as well as positive impact of depreciation of the yen, sales increased by 2.4% to ¥788.9 billion for the first six months. Operating profit in Asia and Oceania decreased 7.8% to ¥29.6 billion for the first half.

(3) Operating Results (continued)**Cash Flows**

During the first half of 2013, cash flow from operating activities totaled ¥217.9 billion, an increase of ¥15.9 billion 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 ¥27.5 billion year on year, totaling ¥139.3 billion, due to the increasing amount of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥78.6 billion, a decrease of ¥11.6 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥85.4 billion, mainly arising from the dividend payout. Owing to these factors, as well as the positive impact from foreign currency translation adjustments, cash and cash equivalents increased by ¥41.1 billion year on year to ¥707.8 billion.

Management Issues to be Addressed

No material changes or issues with respect to business operations and finances have occurred during the six months ended June 30, 2013.

Research and Development Expenditures

Canon's research and development expenditures for the six months ended June 30, 2013 totaled ¥151.2 billion.

Property, Plant and Equipment**(1) Major Property, Plant and Equipment**

There were no significant changes to the status of existing major property, plant and equipment during the first half of 2013.

(2) Prospect of Capital Investment in the First Half of Fiscal 2013

The new construction of property, plant and equipment, which had been in progress as of December 31, 2012 and was completed during the first half of 2013, is as follows:

Name and location	Principal activities and products manufactured	Date of completion
Canon U.S.A., Inc.	New headquarter office	January 2013
New York, U.S.A. Canon Business	Regional marketing subsidiary	
Machines (Philippines), Inc.	Laser printers	February 2013
Batangas, Philippines	(Office Business Unit)	
Canon Inc. Oita, Japan	Administrative office	April 2013

There were no significant changes in the plans relevant to the retirement of property, plant and equipment during the first half of 2013. Moreover, there were no significant additional plans for new construction or retirement of property, plant and equipment during the first half of 2013.

III. Company Information

(1) Shares

Total number of authorized shares is 3,000,000,000 shares. The common stock of Canon is listed on the Tokyo, Nagoya, Fukuoka, Sapporo and New York Stock Exchanges. Total issued shares are as follows:

	As of June 30, 2013
Total number of issued shares	1,333,763,464
<u>Stock Acquisition Rights</u>	

Not applicable.

Exercise status of bonds with share subscription rights containing an adjustable exercise price clause

Not applicable.

Rights Plan

Not applicable.

Change in Issued Shares, Common Stock and Additional Paid in Capital

	Change during this term	As of June 30, 2013
Issued Shares (Number of shares)	-	1,333,763,464
Common Stock (millions of yen)	-	174,762
Additional Paid-in Capital (millions of yen)	-	306,288

Major Shareholders

	As of June 30, 2013	
	Number of shares owned (Number of shares)	Number of shares owned / Number of shares issued
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,774,200	4.86%
Japan Trustee Services Bank, Ltd. (Trust Account)	64,426,300	4.83%
The Dai-Ichi Life Insurance Company, Limited	37,416,380	2.81%
Nomura Securities Co., Ltd.	29,470,400	2.21%
State Street Bank and Trust Company	24,190,911	1.81%
SSBT OD05 OMNIBUS ACCOUNT TREATY CLIENTS	23,873,700	1.79%
Moxley & Co.LLC	23,219,540	1.74%
State Street Bank and Trust Company 505225	19,366,358	1.45%
Deutsche Securities Inc.	19,166,151	1.44%
Sompo Japan Insurance Inc.	18,799,987	1.41%
Total	324,703,927	24.34%

Notes:

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1. Apart from the above shares, The Dai-Ichi Life Insurance Company, Limited held 6,180,000 shares contributed to a trust fund for its retirement and severance plans.
2. Moxley & Co.LLC is a nominee of JPMorgan Chase Bank, which is the depositary of Canon's ADRs (American Depositary Receipts).
3. Apart from the above shares, the Company owns 180,967,729 shares (13.57% of total issued shares) of treasury stock.

(1) Shares (continued)

4. Nomura Securities Co., Ltd. and its three affiliated companies listed below submitted a report on large share holdings to the Kanto Local Finance Bureau on July 5, 2013 in their joint names and reported that they owned 85,697,122 shares (6.42%) of the Company as of June 28, 2013 in total as detailed below. However, the Company has not confirmed the status of these holdings as of June 30, 2013.

	Number of shares held	Number of shares held / Number of shares issued
Nomura Securities Co., Ltd.	52,835,282	3.96%
Nomura International plc	2,740,066	0.21%
Nomura Securities International, Inc.	0	0.00%
Nomura Asset Management Co., Ltd.	30,121,774	2.26%
Total	85,697,122	6.42%

* Nomura Securities Co., Ltd. and its two affiliated companies submitted a change report on share holdings to the Kanto Local Finance Bureau on July 22, 2013 in their joint names and reported that they owned 35,735,365 shares (2.68%) of the Company as of July 15, 2013.