

CANON INC
Form 6-K
January 30, 2014

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 **January**, **2014**,

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 . **January 30, 2014**

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. RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2013

RESULTS FOR THE FOURTH QUARTER

AND THE FISCAL YEAR ENDED DECEMBER 31, 2013

January 29, 2014

CONSOLIDATED RESULTS

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

| | Actual | | | Projected | | |
|--|---------------------------------|---------------------------------|-----------|---------------------------------|----------------------------------|-----------|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Change(%) | Year ended December 31, 2013 | Year ending December 31, 2014 | Change(%) |
| Net sales | ¥ 3,731,380 | ¥ 3,479,788 | + 7.2 | \$ 35,536,952 | ¥ 3,850,000 | + 3.2 |
| Operating profit | 337,277 | 323,856 | + 4.1 | 3,212,162 | 360,000 | + 6.7 |
| Income before income taxes | 347,604 | 342,557 | + 1.5 | 3,310,514 | 360,000 | + 3.6 |
| Net income attributable to Canon Inc. | ¥ 230,483 | ¥ 224,564 | + 2.6 | \$ 2,195,076 | ¥ 240,000 | + 4.1 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | | |
| - Basic | ¥ 200.78 | ¥ 191.34 | + 4.9 | \$ 1.91 | ¥ 211.08 | + 5.1 |
| - Diluted | 200.78 | 191.34 | + 4.9 | 1.91 | - | - |

| | Actual | | | As of December 31, 2013 |
|--------------------------------|-------------------------------|-------------------------------|-----------|----------------------------|
| | As of December 31, 2013 | As of December 31, 2012 | Change(%) | |
| Total assets | ¥ 4,242,710 | ¥ 3,955,503 | + 7.3 | \$ 40,406,762 |
| Canon Inc. stockholders equity | ¥ 2,910,262 | ¥ 2,598,026 | + 12.0 | \$ 27,716,781 |

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 JPY 105= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2013, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

| | Actual | | | Year ended December 31, 2013 |
|------------------------------|------------------------------------|---------------------------------|-----------|---------------------------------|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Change(%) | |
| Net sales | ¥ 2,128,798 | ¥ 2,113,420 | + 0.7 | \$ 20,274,267 |
| Operating profit | 188,491 | 198,695 | - 5.1 | 1,795,152 |
| Ordinary profit | 236,695 | 235,728 | + 0.4 | 2,254,238 |
| Net income | ¥ 170,383 | ¥ 157,647 | + 8.1 | \$ 1,622,695 |
| Net income per share: | | | | |
| - Basic | ¥ 148.43 | ¥ 134.32 | + 10.5 | \$ 1.41 |
| - Diluted | 148.43 | - | - | 1.41 |

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| | | | | |
|---------------------------|---------------|--------|---|-------------|
| Dividend per share | 130.00 | 130.00 | - | 1.24 |
|---------------------------|---------------|--------|---|-------------|

| | As of December 31, 2013 | As of December 31, 2012 | Actual Change(%) | As of December 31, 2013 |
|---------------------|----------------------------|----------------------------|---------------------|----------------------------|
| Total assets | ¥ 2,385,892 | ¥ 2,337,002 | + 2.1 | \$ 22,722,781 |
| Net assets | ¥ 1,567,030 | ¥ 1,594,688 | - 1.7 | \$ 14,924,095 |

Notes: 1. U.S. dollar amounts are translated from yen at the rate of JPY 105= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2013, solely for the convenience of the reader.
2. Diluted net income per share for the year ended December 31, 2012, is not presented because there were no latent shares with a dilution effect.

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 in Review

Looking back at the global economy in 2013, although the U.S. and Japanese economies began heading toward moderate recoveries during the latter half of the year, the economic downturn in Europe continued to drag on while the economies of emerging countries such as China faced slowdowns. As such, contrary to expectations at the beginning of the year, the global economy remained stagnant. As for exchange rates, the correction of the historic high value of the yen continued, with a trend toward a weaker yen growing increasingly clear.

As for the markets in which Canon operates amid these conditions, owing to the economic slowdown, flat demand led to a continuation of the harsh business environment especially for consumer products. Among office multifunction devices (MFDs), color models continued to drive growth while demand for laser printers realized a turnaround toward recovery. Although demand for interchangeable-lens digital cameras continued to show strong growth in Japan, demand overseas fell short of the previous year's level as the economic rebound in such markets as Europe and China takes longer than expected. As for digital compact cameras, demand continued to shrink in both developed countries as well as emerging markets. Overall market demand for inkjet printers, hit by the prolonged economic downturn, also declined in all major markets. In the industry and others sector, a rebound in capital investment for memory devices led to a pickup in demand for semiconductor lithography equipment in the latter half of the year, while demand for 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 modest recovery for large-size panels.

The average value of the yen during the year was ¥97.84 against the U.S. dollar, a year-on-year depreciation of approximately ¥18, and ¥130.01 against the euro, a year-on-year depreciation of approximately ¥27.

Despite the decline in demand for digital compact cameras and industrial equipment, net sales for the year increased 7.2% to ¥3,731.4 billion (U.S.\$35,537 million) from the previous year. This was realized through the steady sales growth for MFDs and laser printers, along with an increase in sales of inkjet printers, made possible through sales-promotion efforts despite the harsh conditions posed by the shrinking inkjet printer market, as well as the positive effects of favorable currency exchange rates. The gross profit ratio rose 0.8 points year on year to 48.2% thanks to the effects of ongoing cost-cutting efforts along with the depreciation of the yen. 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 to just ¥1,461.1 billion (U.S.\$13,916 million), an increase of 10.2% year on year. Consequently, operating profit increased by 4.1% to ¥337.3 billion (U.S.\$3,212 million). Other income decreased by ¥8.4 billion (U.S.\$80 million) due to foreign currency exchange losses while income before income taxes increased by 1.5% year on year to ¥347.6 billion (U.S.\$3,311 million). Net income attributable to Canon Inc. increased by 2.6% to ¥230.5 billion (U.S.\$2,195 million). Accordingly, Canon achieved increases in both sales and profit.

Basic net income attributable to Canon Inc. stockholders per share for the year was ¥200.78 (U.S.\$ 1.91), a year-on-year increase of ¥9.44 (U.S.\$ 0.09).

Results by Segment

Looking at Canon's full-year performance by business unit, within the Office Business Unit, as for office MFDs, sales of color models increased from the year-ago period led by the imageRUNNER ADVANCE C5200/C2200 series. 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, sales for the business unit totaled ¥2,000.1 billion (U.S.\$19,048 million), an increase of 13.8% year on year, while operating profit totaled ¥266.9 billion (U.S.\$2,542 million), increasing 31.1%.

Within the Imaging System Business Unit, interchangeable-lens digital cameras maintained their top market share despite the challenging environment, which was marked by a drop in demand in Europe and China due to the economic downturn, although demand in Japan continued to expand. In particular, the EOS 5D Mark III and 70D advanced-amateur-model digital SLR cameras continued to realize healthy growth. Furthermore, in Japan, the new entry-level EOS Digital Rebel SL1 and T5i cameras proved popular. 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 high-added-value models incorporating features that differentiate them from smartphones, such as large-size image sensors and models like the PowerShot SX50 HS and SX510 HS, which feature high-magnification zoom lenses. With regard to inkjet printers, despite the harsh market environment due to the rapid fall in demand in emerging markets, sales volume enjoyed solid growth thanks to efforts to boost sales through the introduction of new products offering enhanced support for cloud services. As a result, sales for the business unit increased by 3.1% to ¥1,448.9 billion (U.S.\$13,799 million) year on year, while operating profit totaled ¥203.8 billion (U.S.\$1,941 million), a decrease of 3.1%.

In the Industry and Others Business Unit, within the semiconductor lithography equipment, despite an increase in sales volume for memory devices in the latter half of the year fueled by renewed investment in capital expenditure by memory manufacturers, sales volumes for the year decreased slightly owing to restrained capital expenditure in the first half. As for FPD lithography equipment, sales volume remained the same as for the previous year amid the recovery trend in investment for large-size panels. Looking at medical equipment, sales volume for Canon's mainstay digital radiography systems steadily increased. Consequently, sales for the business unit totaled ¥374.9 billion (U.S.\$3,570 million), a decrease of 8.1% year on year, while operating profit recorded a loss of ¥25.3 billion (U.S.\$241 million), declining by ¥31.2 billion (U.S.\$298 million) from the previous year.

Cash Flow

During 2013, cash flow from operating activities totaled ¥507.6 billion (U.S.\$4,835 million), an increase of ¥123.6 billion (U.S.\$1,177 million) compared with the previous year, owing to improvements in working capital through such means as increasing the collection of accounts receivable and reducing inventory. Although capital investment focused on new products, cash flow from investing activities increased ¥37.5 billion (U.S.\$357 million) year on year to ¥250.2 billion (U.S.\$2,383 million) as a result of an increased amount of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥257.4 billion (U.S.\$2,452 million), an increase of ¥86.1 billion (U.S.\$820 million) compared with the previous year. Cash flow from financing activities recorded an outlay of ¥222.2 billion (U.S.\$2,116 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 increased by ¥122.2 billion (U.S.\$1,164 million) to ¥788.9 billion (U.S.\$7,513 million) from the end of the previous year.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,128.8 billion (U.S.\$20,274 million), a year-on-year increase of 0.7%, ordinary profit increased by 0.4% to ¥236.7 billion (U.S.\$2,254 million), and net income increased by 8.1% to ¥170.4 billion (U.S.\$1,623 million).

Outlook

As for the outlook in 2014, there are signs of brightness among developed countries with steady economic growth in the U.S. and Japan, and the European economy expected to realize a turnaround toward recovery. Although uncertainties remain in emerging countries such as China, since they are expected to maintain their course of moderate expansion, the global economy, having bottomed out in 2013, is also expected to realize a moderate recovery.

In the businesses in which Canon is involved, demand for MFDs is projected to expand moderately, mainly for color models. Likewise, demand in the laser printer market is also expected to continue growing moderately. With regard to interchangeable-lens digital cameras, demand is expected to remain in line with that for the previous year. Within the digital compact camera market, projections point to market contraction, mainly among low-end models, due to the popularity of smartphones. As for inkjet printers, dwindling demand is expected to come to an end with the economic recovery, leveling off to remain in line with the previous year. Within the industrial equipment market, demand for semiconductor lithography equipment is expected to increase as device manufacturers boost capital investment in response to their improved inventory levels, while demand for FPD lithography equipment will likely pick up along with the recovery in investment for large-size panels.

With regard to currency exchange rates for the year, on which Canon's performance outlook is based, despite the recent trend toward a weaker yen, uncertainties remain in the future and Canon anticipates exchange rates of ¥100 to the U.S. dollar and ¥135 to the euro, representing depreciations of approximately ¥2 against the U.S. dollar, and approximately ¥5 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 2014 of ¥3,850.0 billion (U.S.\$36,667 million), a year-on-year increase of 3.2%; operating profit of ¥360.0 billion (U.S.\$3,429 million), a year-on-year increase of 6.7%; income before income taxes of ¥360.0 billion (U.S.\$3,429 million), a year-on-year increase of 3.6%; and net income attributable to Canon Inc. of ¥240.0 billion (U.S.\$2,286 million), a year-on-year increase of 4.1%.

Basic Policy Regarding Profit Distribution and Dividends for the Current Fiscal Year

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

In 2013, despite the challenging business environment characterized by the prolonged European recession, Canon was able to generate adequate cash on hand thanks to comprehensive cash flow management and subsequent improvements in management efficiency. In light of this situation, Canon plans to distribute a full-year dividend totaling ¥130 (U.S.\$1.24) per share (interim dividend of ¥65 [U.S.\$0.62] per share [already distributed], and year-end dividend of ¥65 [U.S.\$0.62] per share), the same dividend amount as the previous year (including the commemorative dividend).

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.

II. Management Policy

(1) Basic Policy

Under the corporate philosophy of kyosei living and working together for the common good Canon's basic management policy is to contribute to the prosperity and well-being of the world while endeavoring to become a truly excellent global corporation targeting continued growth and development.

(2) Management Goals

Based on this basic management policy, Canon launched the Excellent Global Corporation Plan in 1996. For almost 20 years, Canon's aim has been to exhibit strong sustainable growth and actively fulfill its social responsibilities. Through Phases I, II and III, Canon worked to build a solid management base and, in 2011, embarked on Phase IV, devoting full attention to achieving sound business growth.

At that time, the global economy was, among other things, undergoing a recovery from the global recession sparked by the collapse of Lehman Brothers. Frequent and drastic changes in the business environment were also occurring. Faced with such circumstances, Canon, regarding the drastic change to be an opportunity to swiftly transform itself ahead of the changing times, remained focused on tackling the challenge of achieving the Company's goal of sound business growth, implementing measures aimed at maintaining high profitability and further expanding its operations.

Since then, due to such unforeseen events as the Great East Japan Earthquake and flooding in Thailand, as well as the financial crisis in Europe, there has been an extended period of instability in the business environment. Although the global economy has remained weak, it finally started to show signs of improvement in 2013, returning to a path of gradual recovery in the latter half of the year. Going forward, this growth trend is expected to continue. For Canon, 2014 represents the fourth year of Phase IV (2011 - 2015) of the Excellent Global Corporation Plan. The Canon Group will work in unity, taking steps to realize sound business growth and overcome challenges to firmly return to a path of growth.

(3) Business Challenges and Countermeasures

In 2014, Canon will implement various measures under a basic policy of carrying out further reforms in order to return to the growth track.

In order to achieve our targets, Canon has established and will actively pursue the following five priority goals.

1. Bolstering Strengths of Existing Core Businesses by Creating Outstanding Hit Products

Canon aims to improve its market share for existing core businesses, developing appealing products that outperform the competition, not only in terms of basic performance, but also cost and usability. At the same time, Canon will strengthen the development of businesses derived from existing core businesses.

2. Securely Launch and Steadily Expand New Businesses

Canon will work to accelerate the business expansion of network camera systems for which significant growth is expected. The Company will also focus on strengthening its business foundation for 4K reference displays and mixed-reality systems, while also concentrating on the commercialization of Super Machine Vision. In the medical field, Canon aims to realize the early launch of DNA diagnostic systems.

3. Holistically Developing Global Sales Forces

In emerging markets, Canon will work to expand sales networks and enhance product lineups in accordance with conditions in each country. In developed countries, in addition to boosting the Company's ability to respond to Internet-based and other direct-order sales, Canon will strengthen its response to the centralized purchasing practices used by global corporations when procuring office products.

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4. Optimizing the Global Production System

Based on such factors as changes in local conditions in each country, Canon will work to realize the optimized global allocation of its production assets. The Company will also work to maintain or expand its production in Japan through automation, while also accelerating localized production of mainly consumables in the Americas and Europe through automated production systems.

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5. Exploring a New Dimension of Cost Reductions

Canon will strive to further accelerate procurement reforms as well as expand in-house production and promote automation. Additionally, the Company will work to significantly reduce product development times and achieve cost savings, promoting prototype-less production through the utilization of its super computer. Furthermore, it will move forward with the fundamental reform of manufacturing through the utilization of 3D printers.

In addition to the above, in order to return to a path of growth in the face of the dramatically changing business environment, Canon will select and concentrate on technological themes that will open the way to the future, further enhance product quality management, effectively make use of the Company's workforce, and carry out reforms such as thoroughly strengthening information security.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-------------------------------|-------------------------------|------------------|-------------------------------|
| | As of December 31, 2013 | As of December 31, 2012 | Change | As of December 31, 2013 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 788,909 | ¥ 666,678 | ¥ 122,231 | \$ 7,513,419 |
| Short-term investments | 47,914 | 28,322 | 19,592 | 456,324 |
| Trade receivables, net | 608,741 | 573,375 | 35,366 | 5,797,533 |
| Inventories | 553,773 | 551,623 | 2,150 | 5,274,029 |
| Prepaid expenses and other current assets | 286,605 | 262,258 | 24,347 | 2,729,571 |
| Total current assets | 2,285,942 | 2,082,256 | 203,686 | 21,770,876 |
| Noncurrent receivables | 19,276 | 19,702 | (426) | 183,581 |
| Investments | 70,358 | 56,617 | 13,741 | 670,076 |
| Property, plant and equipment, net | 1,278,730 | 1,260,364 | 18,366 | 12,178,381 |
| Intangible assets, net | 145,075 | 135,736 | 9,339 | 1,381,667 |
| Other assets | 443,329 | 400,828 | 42,501 | 4,222,181 |
| Total assets | ¥ 4,242,710 | ¥ 3,955,503 | ¥ 287,207 | \$ 40,406,762 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 1,299 | ¥ 1,866 | ¥ (567) | \$ 12,371 |
| Trade payables | 307,157 | 325,235 | (18,078) | 2,925,305 |
| Accrued income taxes | 53,196 | 60,057 | (6,861) | 506,629 |
| Accrued expenses | 315,536 | 291,348 | 24,188 | 3,005,105 |
| Other current liabilities | 171,119 | 165,929 | 5,190 | 1,629,704 |
| Total current liabilities | 848,307 | 844,435 | 3,872 | 8,079,114 |
| Long-term debt, excluding current installments | 1,448 | 2,117 | (669) | 13,790 |
| Accrued pension and severance cost | 229,664 | 272,131 | (42,467) | 2,187,276 |
| Other noncurrent liabilities | 96,514 | 82,518 | 13,996 | 919,182 |
| Total liabilities | 1,175,933 | 1,201,201 | (25,268) | 11,199,362 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 1,664,400 |
| Additional paid-in capital | 402,029 | 401,547 | 482 | 3,828,848 |
| Legal reserve | 63,091 | 61,663 | 1,428 | 600,867 |
| Retained earnings | 3,212,692 | 3,138,976 | 73,716 | 30,597,067 |
| Accumulated other comprehensive income (loss) | (80,646) | (367,249) | 286,603 | (768,057) |
| Treasury stock, at cost | (861,666) | (811,673) | (49,993) | (8,206,344) |

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| | | | | |
|---------------------------------------|--------------------|-------------|-----------|----------------------|
| Total Canon Inc. stockholders' equity | 2,910,262 | 2,598,026 | 312,236 | 27,716,781 |
| Noncontrolling interests | 156,515 | 156,276 | 239 | 1,490,619 |
| Total equity | 3,066,777 | 2,754,302 | 312,475 | 29,207,400 |
| Total liabilities and equity | ¥ 4,242,710 | ¥ 3,955,503 | ¥ 287,207 | \$ 40,406,762 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|--|-------------------------------|--|
| | As of December 31, 2013 | As of December 31, 2012 | As of December 31, 2013 |
| Notes: | | | |
| 1. Allowance for doubtful receivables | ¥ 12,730 | ¥ 12,970 | \$ 121,238 |
| 2. Accumulated depreciation | 2,383,530 | 2,159,453 | 22,700,286 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 1,734 | (247,734) | 16,514 |
| Net unrealized gains and losses on securities | 10,242 | 4,146 | 97,543 |
| Net gains and losses on derivative instruments | (2,408) | (4,462) | (22,933) |
| Pension liability adjustments | (90,214) | (119,199) | (859,181) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Change(%) | Thousands of |
|---|--|--|---|-----------|--|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 | | | U.S. dollars Three months ended December 31, 2013 |
| Results for the fourth quarter | | | | | |
| Net sales | ¥ 1,034,698 | ¥ 951,394 | + | 8.8 | \$ 9,854,267 |
| Cost of sales | 546,680 | 519,002 | | | 5,206,477 |
| Gross profit | 488,018 | 432,392 | + | 12.9 | 4,647,790 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 316,713 | 280,052 | | | 3,016,314 |
| Research and development expenses | 77,765 | 74,636 | | | 740,619 |
| | 394,478 | 354,688 | | | 3,756,933 |
| Operating profit | 93,540 | 77,704 | + | 20.4 | 890,857 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 2,340 | 1,703 | | | 22,286 |
| Interest expense | (193) | (509) | | | (1,838) |
| Other, net | 4,738 | 10,210 | | | 45,124 |
| | 6,885 | 11,404 | | | 65,572 |
| Income before income taxes | 100,425 | 89,108 | + | 12.7 | 956,429 |
| Income taxes | 32,103 | 24,588 | | | 305,743 |
| Consolidated net income | 68,322 | 64,520 | | | 650,686 |
| Less: Net income attributable to noncontrolling interests | 4,070 | 3,347 | | | 38,762 |
| Net income attributable to Canon Inc. | ¥ 64,252 | ¥ 61,173 | + | 5.0 | \$ 611,924 |

| | Millions of yen | | | Change(%) | Thousands of |
|--|---------------------------------|---------------------------------|---|-----------|---|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | | | U.S. dollars Year ended December 31, 2013 |
| Results for the fiscal year | | | | | |
| Net sales | ¥ 3,731,380 | ¥ 3,479,788 | + | 7.2 | \$ 35,536,952 |
| Cost of sales | 1,932,959 | 1,829,822 | | | 18,409,133 |
| Gross profit | 1,798,421 | 1,649,966 | + | 9.0 | 17,127,819 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 1,154,820 | 1,029,646 | | | 10,998,286 |
| Research and development expenses | 306,324 | 296,464 | | | 2,917,371 |

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| | | | | | |
|---|------------------|-----------|---|-----|---------------------|
| | 1,461,144 | 1,326,110 | | | 13,915,657 |
| Operating profit | 337,277 | 323,856 | + | 4.1 | 3,212,162 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 6,579 | 6,792 | | | 62,657 |
| Interest expense | (550) | (1,022) | | | (5,238) |
| Other, net | 4,298 | 12,931 | | | 40,933 |
| | 10,327 | 18,701 | | | 98,352 |
| Income before income taxes | 347,604 | 342,557 | + | 1.5 | 3,310,514 |
| Income taxes | 108,088 | 110,112 | | | 1,029,409 |
| Consolidated net income | 239,516 | 232,445 | | | 2,281,105 |
| Less: Net income attributable to noncontrolling interests | 9,033 | 7,881 | | | 86,029 |
| Net income attributable to Canon Inc. | ¥ 230,483 | ¥ 224,564 | + | 2.6 | \$ 2,195,076 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|--|-----------|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 | Change(%) | Three months ended December 31, 2013 |
| Results for the fourth quarter | | | | |
| Consolidated net income | ¥ 68,322 | ¥ 64,520 | + 5.9 | \$ 650,686 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | 109,297 | 127,103 | | 1,040,924 |
| Net unrealized gains and losses on securities | 2,700 | 2,337 | | 25,714 |
| Net gains and losses on derivative instruments | (2,384) | (5,123) | | (22,705) |
| Pension liability adjustments | 29,850 | (13,736) | | 284,286 |
| | 139,463 | 110,581 | | 1,328,219 |
| Comprehensive income | 207,785 | 175,101 | + 18.7 | 1,978,905 |
| Less: Comprehensive income attributable to noncontrolling interests | 7,892 | 6,047 | | 75,162 |
| Comprehensive income attributable to Canon Inc. | ¥ 199,893 | ¥ 169,054 | + 18.2 | \$ 1,903,743 |

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|------------------------------------|-----------|---|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Change(%) | Year ended December 31, 2013 |
| Results for the fiscal year | | | | |
| Consolidated net income | ¥ 239,516 | ¥ 232,445 | + 3.0 | \$ 2,281,105 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | 251,576 | 133,735 | | 2,395,962 |
| Net unrealized gains and losses on securities | 6,612 | 3,265 | | 62,971 |
| Net gains and losses on derivative instruments | 2,056 | (4,880) | | 19,581 |
| Pension liability adjustments | 32,669 | (12,787) | | 311,133 |
| | 292,913 | 119,333 | | 2,789,647 |
| Comprehensive income | 532,429 | 351,778 | + 51.4 | 5,070,752 |
| Less: Comprehensive income attributable to noncontrolling interests | 14,688 | 10,824 | | 139,885 |
| Comprehensive income attributable to Canon Inc. | ¥ 517,741 | ¥ 340,954 | + 51.9 | \$ 4,930,867 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| Results for the fourth quarter | Millions of yen | | | Change(%) | Thousands of |
|--------------------------------|-------------------|-------------------|---|-----------|-------------------|
| | Three months | Three months | | | U.S. dollars |
| | ended | ended | | | Three months |
| Sales by business unit | December 31, 2013 | December 31, 2012 | | | ended |
| Office | ¥ 521,970 | ¥ 456,323 | + | 14.4 | December 31, 2013 |
| Imaging System | 416,181 | 410,675 | + | 1.3 | \$ 4,971,143 |
| Industry and Others | 118,781 | 106,768 | + | 11.3 | 3,963,629 |
| Eliminations | (22,234) | (22,372) | | - | 1,131,248 |
| | | | | | (211,753) |
| Total | ¥ 1,034,698 | ¥ 951,394 | + | 8.8 | \$ 9,854,267 |

| Sales by region | Millions of yen | | | Change(%) | Thousands of |
|------------------|-------------------|-------------------|---|-----------|-------------------|
| | Three months | Three months | | | U.S. dollars |
| | ended | ended | | | Three months |
| | December 31, 2013 | December 31, 2012 | | | ended |
| Japan | ¥ 212,523 | ¥ 198,803 | + | 6.9 | December 31, 2013 |
| Overseas: | | | | | \$ 2,024,029 |
| Americas | 287,740 | 266,352 | + | 8.0 | 2,740,381 |
| Europe | 319,667 | 288,909 | + | 10.6 | 3,044,448 |
| Asia and Oceania | 214,768 | 197,330 | + | 8.8 | 2,045,409 |
| | 822,175 | 752,591 | + | 9.2 | 7,830,238 |
| Total | ¥ 1,034,698 | ¥ 951,394 | + | 8.8 | \$ 9,854,267 |

| Results for the fiscal year | Millions of yen | | | Change(%) | Thousands of |
|-----------------------------|-------------------|-------------------|---|-----------|-------------------|
| | Year ended | Year ended | | | U.S. dollars |
| | ended | ended | | | Year ended |
| Sales by business unit | December 31, 2013 | December 31, 2012 | | | ended |
| Office | ¥ 2,000,073 | ¥ 1,757,575 | + | 13.8 | December 31, 2013 |
| Imaging System | 1,448,938 | 1,405,971 | + | 3.1 | \$ 19,048,314 |
| Industry and Others | 374,870 | 407,840 | - | 8.1 | 13,799,410 |
| Eliminations | (92,501) | (91,598) | | - | 3,570,190 |
| | | | | | (880,962) |
| Total | ¥ 3,731,380 | ¥ 3,479,788 | + | 7.2 | \$ 35,536,952 |

| Sales by region | Millions of yen | | | Change(%) | Thousands of |
|------------------|-------------------|-------------------|---|-----------|-------------------|
| | Year ended | Year ended | | | U.S. dollars |
| | ended | ended | | | Year ended |
| | December 31, 2013 | December 31, 2012 | | | ended |
| Japan | ¥ 715,863 | ¥ 720,286 | - | 0.6 | December 31, 2013 |
| Overseas: | | | | | \$ 6,817,743 |
| Americas | 1,059,501 | 939,873 | + | 12.7 | 10,090,486 |
| Europe | 1,124,929 | 1,014,038 | + | 10.9 | 10,713,609 |
| Asia and Oceania | 831,087 | 805,591 | + | 3.2 | 7,915,114 |

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| | | | | | | | | |
|--------------|----------|------------------|----------|-----------|---|-----|-----------|-------------------|
| | | 3,015,517 | | 2,759,502 | + | 9.3 | | 28,719,209 |
| Total | ¥ | 3,731,380 | ¥ | 3,479,788 | + | 7.2 | \$ | 35,536,952 |

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 EQUITY

Millions of yen

| | Common Stock | Additional paid-in capital | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Total Canon Inc. stockholders equity | Noncontrolling interests | Total equity |
|--|-----------------|----------------------------------|------------------|----------------------|---|-------------------|---|-----------------------------|------------------|
| Balance at December 31, 2011 | ¥ 174,762 | ¥ 401,572 | ¥ 59,004 | ¥ 3,059,298 | ¥ (481,773) | ¥ (661,731) | ¥ 2,551,132 | ¥ 162,535 | ¥ 2,713,667 |
| Equity transactions with noncontrolling interests and other | | (16) | | 152 | (1,866) | | (1,730) | (13,591) | (15,321) |
| Dividends paid to Canon Inc. stockholders | | | | (142,362) | | | (142,362) | | (142,362) |
| Dividends paid to noncontrolling interests | | | | | | | | (3,492) | (3,492) |
| Transfers to legal reserve | | | 2,659 | (2,659) | | | - | | - |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 224,564 | | | 224,564 | 7,881 | 232,445 |
| Other comprehensive income (loss), net of tax: | | | | | | | | | |
| Foreign currency translation adjustments | | | | | 132,704 | | 132,704 | 1,031 | 133,735 |
| Net unrealized gains and losses on securities | | | | | 3,148 | | 3,148 | 117 | 3,265 |
| Net gains and losses on derivative instruments | | | | | (4,882) | | (4,882) | 2 | (4,880) |
| Pension liability adjustments | | | | | (14,580) | | (14,580) | 1,793 | (12,787) |
| Total comprehensive income | | | | | | | 340,954 | 10,824 | 351,778 |
| Repurchase of treasury stock, net | | (9) | | (17) | | (149,942) | (149,968) | | (149,968) |
| Balance at December 31, 2012 | ¥ 174,762 | ¥ 401,547 | ¥ 61,663 | ¥ 3,138,976 | ¥ (367,249) | ¥ (811,673) | ¥ 2,598,026 | ¥ 156,276 | ¥ 2,754,302 |
| Equity transactions with noncontrolling interests and other | | 489 | | 295 | (655) | | 129 | (11,182) | (11,053) |
| Dividends to Canon Inc. stockholders | | | | (155,627) | | | (155,627) | | (155,627) |
| Dividends to noncontrolling interests | | | | | | | | (3,267) | (3,267) |
| Transfers to legal reserve | | | 1,428 | (1,428) | | | - | | - |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 230,483 | | | 230,483 | 9,033 | 239,516 |
| Other comprehensive income, net of tax: | | | | | | | | | |

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| | | | | | | | | | |
|--|--|--|--|--|---------|--|---------|--------|---------|
| Foreign currency translation adjustments | | | | | 249,791 | | 249,791 | 1,785 | 251,576 |
| Net unrealized gains and losses on securities | | | | | 6,097 | | 6,097 | 515 | 6,612 |
| Net gains and losses on derivative instruments | | | | | 2,056 | | 2,056 | - | 2,056 |
| Pension liability adjustments | | | | | 29,314 | | 29,314 | 3,355 | 32,669 |
| Total comprehensive income | | | | | | | 517,741 | 14,688 | 532,429 |

| | | | | | | | | | |
|-----------------------------------|-----------|-----------|----------|-------------|------------|-------------|-------------|-----------|-------------|
| Repurchase of treasury stock, net | | (7) | | (7) | | (49,993) | (50,007) | | (50,007) |
| Balance at December 31, 2013 | ¥ 174,762 | ¥ 402,029 | ¥ 63,091 | ¥ 3,212,692 | ¥ (80,646) | ¥ (861,666) | ¥ 2,910,262 | ¥ 156,515 | ¥ 3,066,777 |

Thousands of U.S. dollars

| | | | | | | | | | |
|------------------------------|--------------|--------------|------------|---------------|----------------|----------------|---------------|--------------|---------------|
| Balance at December 31, 2012 | \$ 1,664,400 | \$ 3,824,257 | \$ 587,267 | \$ 29,895,010 | \$ (3,497,610) | \$ (7,730,219) | \$ 24,743,105 | \$ 1,488,343 | \$ 26,231,448 |
|------------------------------|--------------|--------------|------------|---------------|----------------|----------------|---------------|--------------|---------------|

| | | | | | | | | | |
|---|--|-------|--------|----------|-------------|--|-------------|-----------|-------------|
| Equity transactions with noncontrolling interests and other | | | | | | | | | |
| Dividends to Canon Inc. stockholders | | 4,657 | | 2,809 | (6,238) | | 1,228 | (106,495) | (105,267) |
| Dividends to noncontrolling interests | | | | | (1,482,162) | | (1,482,162) | | (1,482,162) |
| Transfers to legal reserve | | | 13,600 | (13,600) | | | - | (31,114) | (31,114) |

| | | | | | | | | | |
|--|--|--|--|-----------|-----------|--|-----------|---------|-----------|
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 2,195,076 | | | 2,195,076 | 86,029 | 2,281,105 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Foreign currency translation adjustments | | | | | 2,378,962 | | 2,378,962 | 17,000 | 2,395,962 |
| Net unrealized gains and losses on securities | | | | | 58,067 | | 58,067 | 4,904 | 62,971 |
| Net gains and losses on derivative instruments | | | | | 19,581 | | 19,581 | - | 19,581 |
| Pension liability adjustments | | | | | 279,181 | | 279,181 | 31,952 | 311,133 |
| Total comprehensive income | | | | | | | 4,930,867 | 139,885 | 5,070,752 |

| | | | | | | | | | |
|-----------------------------------|--------------|--------------|------------|---------------|--------------|----------------|---------------|--------------|---------------|
| Repurchase of treasury stock, net | | (66) | | (66) | | (476,125) | (476,257) | | (476,257) |
| Balance at December 31, 2013 | \$ 1,664,400 | \$ 3,828,848 | \$ 600,867 | \$ 30,597,067 | \$ (768,057) | \$ (8,206,344) | \$ 27,716,781 | \$ 1,490,619 | \$ 29,207,400 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|--|---------------------------------|---------------------------------|---------------------------------|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Year ended December 31, 2013 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 239,516 | ¥ 232,445 | \$ 2,281,105 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 275,173 | 258,133 | 2,620,695 |
| Loss on disposal of fixed assets | 10,638 | 11,242 | 101,314 |
| Deferred income taxes | 16,791 | 7,487 | 159,914 |
| Decrease in trade receivables | 45,040 | 5,030 | 428,952 |
| (Increase) decrease in inventories | 85,577 | (24,805) | 815,019 |
| Decrease in trade payables | (108,622) | (102,293) | (1,034,495) |
| Increase (decrease) in accrued income taxes | (9,432) | 12,427 | (89,829) |
| Decrease in accrued expenses | (15,635) | (30,089) | (148,905) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | (15,568) | 5,515 | (148,267) |
| Other, net | (15,836) | 8,985 | (150,817) |
| Net cash provided by operating activities | 507,642 | 384,077 | 4,834,686 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (233,175) | (316,211) | (2,220,714) |
| Proceeds from sale of fixed assets | 1,763 | 4,861 | 16,790 |
| Purchases of available-for-sale securities | (5,771) | (417) | (54,962) |
| Proceeds from sale and maturity of available-for-sale securities | 4,528 | 344 | 43,124 |
| (Increase) decrease in time deposits, net | (12,483) | 103,137 | (118,886) |
| Acquisitions of subsidiaries, net of cash acquired | (4,914) | (704) | (46,800) |
| Purchases of other investments | (296) | (796) | (2,819) |
| Other, net | 136 | (2,954) | 1,296 |
| Net cash used in investing activities | (250,212) | (212,740) | (2,382,971) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 1,483 | 614 | 14,124 |
| Repayments of long-term debt | (2,334) | (3,732) | (22,229) |
| Decrease in short-term loans, net | (547) | (5,055) | (5,210) |
| Dividends paid | (155,627) | (142,362) | (1,482,162) |
| Repurchases of treasury stock, net | (50,007) | (149,968) | (476,257) |
| Other, net | (15,149) | (19,236) | (144,276) |
| Net cash used in financing activities | (222,181) | (319,739) | (2,116,010) |
| Effect of exchange rate changes on cash and cash equivalents | 86,982 | 41,853 | 828,400 |
| Net change in cash and cash equivalents | 122,231 | (106,549) | 1,164,105 |
| Cash and cash equivalents at beginning of year | 666,678 | 773,227 | 6,349,314 |
| Cash and cash equivalents at end of year | ¥ 788,909 | ¥ 666,678 | \$ 7,513,419 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION(1) SEGMENT INFORMATION BY BUSINESS UNIT

| Results for the fourth quarter | Millions of yen | | | Change(%) | Thousands of |
|---------------------------------------|--|--|--------|-----------|--|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 | | | U.S. dollars Three months ended December 31, 2013 |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 521,283 | ¥ 454,691 | + 14.6 | | \$ 4,964,600 |
| Intersegment | 687 | 1,632 | - 57.9 | | 6,543 |
| Total | 521,970 | 456,323 | + 14.4 | | 4,971,143 |
| Operating cost and expenses | 458,419 | 405,051 | + 13.2 | | 4,365,895 |
| Operating profit | ¥ 63,551 | ¥ 51,272 | + 23.9 | | \$ 605,248 |
| Imaging System | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 416,003 | ¥ 410,292 | + 1.4 | | \$ 3,961,933 |
| Intersegment | 178 | 383 | - 53.5 | | 1,696 |
| Total | 416,181 | 410,675 | + 1.3 | | 3,963,629 |
| Operating cost and expenses | 354,085 | 355,712 | - 0.5 | | 3,372,239 |
| Operating profit | ¥ 62,096 | ¥ 54,963 | + 13.0 | | \$ 591,390 |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 97,412 | ¥ 86,411 | + 12.7 | | \$ 927,734 |
| Intersegment | 21,369 | 20,357 | + 5.0 | | 203,514 |
| Total | 118,781 | 106,768 | + 11.3 | | 1,131,248 |
| Operating cost and expenses | 122,608 | 116,218 | + 5.5 | | 1,167,696 |
| Operating loss | ¥ (3,827) | ¥ (9,450) | - | | \$ (36,448) |

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Corporate and Eliminations

| | | | | | |
|-----------------------------|---|----------|---|----------|--------------|
| Net sales: | | | | | |
| External customers | ¥ | - | ¥ | - | \$ - |
| Intersegment | | (22,234) | | (22,372) | (211,753) |
| Total | | (22,234) | | (22,372) | (211,753) |
| Operating cost and expenses | | 6,046 | | (3,291) | 57,580 |
| Operating profit | ¥ | (28,280) | ¥ | (19,081) | \$ (269,333) |

Consolidated

| | | | | | |
|-----------------------------|---|-----------|---|---------|--------------------|
| Net sales: | | | | | |
| External customers | ¥ | 1,034,698 | ¥ | 951,394 | + 8.8 \$ 9,854,267 |
| Intersegment | | - | | - | - |
| Total | | 1,034,698 | | 951,394 | + 8.8 9,854,267 |
| Operating cost and expenses | | 941,158 | | 873,690 | + 7.7 8,963,410 |
| Operating profit | ¥ | 93,540 | ¥ | 77,704 | + 20.4 \$ 890,857 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| Results for the fiscal year | Millions of yen | | | Thousands of U.S. dollars |
|------------------------------------|---|---------------------------------|-----------|---|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Change(%) | Year ended December 31, 2013 |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,993,898 | ¥ 1,751,960 | + 13.8 | \$ 18,989,504 |
| Intersegment | 6,175 | 5,615 | + 10.0 | 58,810 |
| Total | 2,000,073 | 1,757,575 | + 13.8 | 19,048,314 |
| Operating cost and expenses | 1,733,165 | 1,553,997 | + 11.5 | 16,506,333 |
| Operating profit | 266,908 | 203,578 | + 31.1 | 2,541,981 |
| Total assets | 954,803 | 927,543 | + 2.9 | 9,093,362 |
| Depreciation and amortization | 88,344 | 77,660 | + 13.8 | 841,371 |
| Capital expenditures | ¥ 54,644 | ¥ 58,402 | - 6.4 | \$ 520,419 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,448,186 | ¥ 1,404,394 | + 3.1 | \$ 13,792,248 |
| Intersegment | 752 | 1,577 | - 52.3 | 7,162 |
| Total | 1,448,938 | 1,405,971 | + 3.1 | 13,799,410 |
| Operating cost and expenses | 1,245,144 | 1,195,653 | + 4.1 | 11,858,514 |
| Operating profit | 203,794 | 210,318 | - 3.1 | 1,940,896 |
| Total assets | 584,856 | 614,328 | - 4.8 | 5,570,057 |
| Depreciation and amortization | 56,564 | 53,664 | + 5.4 | 538,705 |
| Capital expenditures | ¥ 44,112 | ¥ 58,142 | - 24.1 | \$ 420,114 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 289,296 | ¥ 323,434 | - 10.6 | \$ 2,755,200 |
| Intersegment | 85,574 | 84,406 | + 1.4 | 814,990 |
| Total | 374,870 | 407,840 | - 8.1 | 3,570,190 |
| Operating cost and expenses | 400,201 | 401,930 | - 0.4 | 3,811,438 |
| Operating profit (loss) | (25,331) | 5,910 | - | (241,248) |
| Total assets | 328,202 | 337,899 | - 2.9 | 3,125,733 |
| Depreciation and amortization | 37,072 | 34,264 | + 8.2 | 353,067 |
| Capital expenditures | ¥ 27,040 | ¥ 44,086 | - 38.7 | \$ 257,524 |

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Corporate and Eliminations

| | | | | | | | |
|-------------------------------|---|-----------|---|-----------|----|-------------|------------|
| Net sales: | | | | | | | |
| External customers | ¥ | - | ¥ | - | \$ | - | |
| Intersegment | | (92,501) | | (91,598) | | (880,962) | |
| Total | | (92,501) | | (91,598) | | (880,962) | |
| Operating cost and expenses | | 15,593 | | 4,352 | | 148,505 | |
| Operating profit | | (108,094) | | (95,950) | | (1,029,467) | |
| Total assets | | 2,374,849 | | 2,075,733 | + | 14.4 | 22,617,610 |
| Depreciation and amortization | | 93,193 | | 92,545 | + | 0.7 | 887,552 |
| Capital expenditures | ¥ | 101,682 | ¥ | 146,031 | - | 30.4 | \$ 968,400 |

Consolidated

| | | | | | | | |
|-------------------------------|---|-----------|---|-----------|---|------|---------------|
| Net sales: | | | | | | | |
| External customers | ¥ | 3,731,380 | ¥ | 3,479,788 | + | 7.2 | \$ 35,536,952 |
| Intersegment | | - | | - | | - | - |
| Total | | 3,731,380 | | 3,479,788 | + | 7.2 | 35,536,952 |
| Operating cost and expenses | | 3,394,103 | | 3,155,932 | + | 7.5 | 32,324,790 |
| Operating profit | | 337,277 | | 323,856 | + | 4.1 | 3,212,162 |
| Total assets | | 4,242,710 | | 3,955,503 | + | 7.3 | 40,406,762 |
| Depreciation and amortization | | 275,173 | | 258,133 | + | 6.6 | 2,620,695 |
| Capital expenditures | ¥ | 227,478 | ¥ | 306,661 | - | 25.8 | \$ 2,166,457 |

Note: In 2013, based on the realignment of Canon's internal reporting structure, certain assets have been transferred from Corporate to the Office Business Unit. Corresponding amounts of total assets as of December 31, 2012 have been reclassified to conform with the current year presentation.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| Results for the fourth quarter | Millions of yen | | | Thousands of U.S. dollars |
|---------------------------------------|---|--|-----------|---|
| | Three months ended December 31, 2013 | Three months ended December 31, 2012 | Change(%) | Three months ended December 31, 2013 |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 246,242 | ¥ 235,054 | + 4.8 | \$ 2,345,162 |
| Intersegment | 457,411 | 432,284 | + 5.8 | 4,356,295 |
| Total | 703,653 | 667,338 | + 5.4 | 6,701,457 |
| Operating cost and expenses | 614,352 | 581,197 | + 5.7 | 5,850,971 |
| Operating profit | ¥ 89,301 | ¥ 86,141 | + 3.7 | \$ 850,486 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 287,576 | ¥ 265,178 | + 8.4 | \$ 2,738,819 |
| Intersegment | 3,191 | 5,610 | - 43.1 | 30,391 |
| Total | 290,767 | 270,788 | + 7.4 | 2,769,210 |
| Operating cost and expenses | 286,926 | 266,439 | + 7.7 | 2,732,629 |
| Operating profit | ¥ 3,841 | ¥ 4,349 | - 11.7 | \$ 36,581 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 319,384 | ¥ 287,103 | + 11.2 | \$ 3,041,752 |
| Intersegment | 13,431 | 1,339 | + 903.1 | 127,915 |
| Total | 332,815 | 288,442 | + 15.4 | 3,169,667 |
| Operating cost and expenses | 321,495 | 271,253 | + 18.5 | 3,061,857 |
| Operating profit | ¥ 11,320 | ¥ 17,189 | - 34.1 | \$ 107,810 |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 181,496 | ¥ 164,059 | + 10.6 | \$ 1,728,534 |
| Intersegment | 219,181 | 185,498 | + 18.2 | 2,087,437 |
| Total | 400,677 | 349,557 | + 14.6 | 3,815,971 |
| Operating cost and expenses | 393,538 | 347,868 | + 13.1 | 3,747,981 |

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| | | | | |
|-----------------------------------|-------------|------------|---------|--------------|
| Operating profit | ¥ 7,139 | ¥ 1,689 | + 322.7 | \$ 67,990 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (693,214) | (624,731) | - | (6,602,038) |
| Total | (693,214) | (624,731) | - | (6,602,038) |
| Operating cost and expenses | (675,153) | (593,067) | - | (6,430,028) |
| Operating profit | ¥ (18,061) | ¥ (31,664) | - | \$ (172,010) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,034,698 | ¥ 951,394 | + 8.8 | \$ 9,854,267 |
| Intersegment | - | - | - | - |
| Total | 1,034,698 | 951,394 | + 8.8 | 9,854,267 |
| Operating cost and expenses | 941,158 | 873,690 | + 7.7 | 8,963,410 |
| Operating profit | ¥ 93,540 | ¥ 77,704 | + 20.4 | \$ 890,857 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| <u>Results for the fiscal year</u> | Millions of yen | | | | Thousands of |
|------------------------------------|---------------------------------|---------------------------------|-----------|-------|---|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Change(%) | | U.S. dollars Year ended December 31, 2013 |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 797,501 | ¥ 834,406 | - | 4.4 | \$ 7,595,248 |
| Intersegment | 1,855,181 | 1,829,834 | + | 1.4 | 17,668,390 |
| Total | 2,652,682 | 2,664,240 | - | 0.4 | 25,263,638 |
| Operating cost and expenses | 2,326,351 | 2,336,536 | - | 0.4 | 22,155,724 |
| Operating profit | 326,331 | 327,704 | - | 0.4 | 3,107,914 |
| Total assets | ¥ 1,152,398 | ¥ 1,206,702 | - | 4.5 | \$ 10,975,219 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,056,096 | ¥ 932,987 | + | 13.2 | \$ 10,058,057 |
| Intersegment | 11,774 | 23,767 | - | 50.5 | 112,133 |
| Total | 1,067,870 | 956,754 | + | 11.6 | 10,170,190 |
| Operating cost and expenses | 1,043,487 | 937,111 | + | 11.4 | 9,937,971 |
| Operating profit | 24,383 | 19,643 | + | 24.1 | 232,219 |
| Total assets | ¥ 447,039 | ¥ 339,918 | + | 31.5 | \$ 4,257,514 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,124,603 | ¥ 1,010,922 | + | 11.2 | \$ 10,710,505 |
| Intersegment | 53,281 | 5,650 | + | 843.0 | 507,438 |
| Total | 1,177,884 | 1,016,572 | + | 15.9 | 11,217,943 |
| Operating cost and expenses | 1,171,357 | 972,585 | + | 20.4 | 11,155,781 |
| Operating profit | 6,527 | 43,987 | - | 85.2 | 62,162 |
| Total assets | ¥ 496,549 | ¥ 457,592 | + | 8.5 | \$ 4,729,038 |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 753,180 | ¥ 701,473 | + | 7.4 | \$ 7,173,142 |
| Intersegment | 881,765 | 781,836 | + | 12.8 | 8,397,763 |

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| | | | | | |
|-----------------------------------|--------------------|-------------|---|------|----------------------|
| Total | 1,634,945 | 1,483,309 | + | 10.2 | 15,570,905 |
| Operating cost and expenses | 1,574,125 | 1,437,527 | + | 9.5 | 14,991,667 |
| Operating profit | 60,820 | 45,782 | + | 32.8 | 579,238 |
| Total assets | ¥ 631,827 | ¥ 548,583 | + | 15.2 | \$ 6,017,400 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | | \$ - |
| Intersegment | (2,802,001) | (2,641,087) | - | | (26,685,724) |
| Total | (2,802,001) | (2,641,087) | - | | (26,685,724) |
| Operating cost and expenses | (2,721,217) | (2,527,827) | - | | (25,916,353) |
| Operating profit | (80,784) | (113,260) | - | | (769,371) |
| Total assets | ¥ 1,514,897 | ¥ 1,402,708 | - | | \$ 14,427,591 |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 3,731,380 | ¥ 3,479,788 | + | 7.2 | \$ 35,536,952 |
| Intersegment | - | - | - | | - |
| Total | 3,731,380 | 3,479,788 | + | 7.2 | 35,536,952 |
| Operating cost and expenses | 3,394,103 | 3,155,932 | + | 7.5 | 32,324,790 |
| Operating profit | 337,277 | 323,856 | + | 4.1 | 3,212,162 |
| Total assets | ¥ 4,242,710 | ¥ 3,955,503 | + | 7.3 | \$ 40,406,762 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | December 31, 2013 | December 31, 2012 | Change |
|--------------|-------------------|-------------------|--------|
| Subsidiaries | 257 | 275 | (18) |
| Affiliates | 11 | 9 | 2 |
| Total | 268 | 284 | (16) |

2. Change in Group Entities

Subsidiaries

| | |
|-----------|--------------|
| Addition: | 22 companies |
| Removal: | 40 companies |

Affiliates(Carried at Equity Basis)

| | |
|-----------|-------------|
| Addition: | 3 companies |
| Removal: | 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.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) NET INCOME ATTRIBUTABLE TO CANON INC. STOCKHOLDERS PER SHARE

| Results for the fiscal year | Millions of yen | | Thousands of U.S. dollars |
|--|------------------------------------|------------------------------------|------------------------------------|
| | Year ended December 31, 2013 | Year ended December 31, 2012 | Year ended December 31, 2013 |
| Net income attributable to Canon Inc. | | | |
| -Basic | ¥ 230,483 | ¥ 224,564 | \$ 2,195,076 |
| -Diluted | 230,483 | 224,564 | 2,195,076 |
| | Number of shares | | |
| Average common shares outstanding | | | |
| -Basic | 1,147,933,835 | 1,173,647,835 | |
| -Diluted | 1,147,942,301 | 1,173,668,409 | |
| | Yen | | U.S. dollars |
| Net income attributable to Canon Inc. stockholders per share: | | | |
| -Basic | ¥ 200.78 | ¥ 191.34 | \$ 1.91 |
| -Diluted | 200.78 | 191.34 | 1.91 |

(2) FINANCE RECEIVABLES AND OPERATING LEASES, ACQUISITIONS, MARKETABLE SECURITIES,
DEFERRED TAX ACCOUNTING, EMPLOYEE RETIREMENT AND SEVERANCE BENEFITS,
STOCK OPTIONS, DERIVATIVE CONTRACTS AND OTHERS

The disclosure is omitted as it is not considered significant in this report.

(3) SUBSEQUENT EVENT

There is no significant subsequent event.

CANON INC.

NON-CONSOLIDATED

10. NON-CONSOLIDATED BALANCE SHEETS**(Parent company only)**

| | Millions of yen | |
|---|-------------------------------|-------------------------------|
| | As of December 31, 2013 | As of December 31, 2012 |
| ASSETS | | |
| Current assets: | | |
| Cash | ¥ 34,054 | ¥ 28,719 |
| Trade receivables | 580,170 | 552,776 |
| Marketable securities | 100,660 | 51,420 |
| Inventories | 166,244 | 183,965 |
| Prepaid expenses and other current assets | 193,540 | 178,881 |
| Allowance for doubtful receivables | (66) | (398) |
| Total current assets | 1,074,602 | 995,363 |
| Fixed assets: | | |
| Net property, plant and equipment | 685,526 | 723,256 |
| Intangibles | 30,955 | 31,950 |
| Investments and other fixed assets | 594,885 | 586,508 |
| Allowance for doubtful receivables-noncurrent | (76) | (75) |
| Total fixed assets | 1,311,290 | 1,341,639 |
| Total assets | ¥ 2,385,892 | ¥ 2,337,002 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Trade payables | ¥ 302,068 | ¥ 293,627 |
| Short-term loans | 322,653 | 239,741 |
| Accrued income taxes | 32,285 | 40,868 |
| Accrued warranty expenses | 1,487 | 1,980 |
| Accrued bonuses for employees | 4,549 | 4,382 |
| Accrued bonuses for directors | 206 | 191 |
| Other current liabilities | 113,717 | 119,828 |
| Total current liabilities | 776,965 | 700,617 |
| Noncurrent liabilities: | | |
| Accrued pension and severance cost | 35,044 | 33,507 |
| Accrued directors' retirement benefits | - | 1,575 |
| Reserve for environmental provision | 3,437 | 5,084 |
| Accrued long service rewards for employees | 1,442 | 1,522 |
| Other noncurrent liabilities | 1,974 | 9 |
| Total noncurrent liabilities | 41,897 | 41,697 |
| Total liabilities | 818,862 | 742,314 |

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| | | |
|---------------------------------------|--------------------|-------------|
| Net assets: | | |
| Stockholders' equity | 1,558,754 | 1,593,998 |
| Valuation and translation adjustments | 5,888 | (1,669) |
| Subscription right to shares | 2,388 | 2,359 |
| Total net assets | 1,567,030 | 1,594,688 |
| Total liabilities and net assets | ¥ 2,385,892 | ¥ 2,337,002 |

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED STATEMENTS OF INCOME**(Parent company only)**

| | Millions of yen | |
|--|------------------------------------|------------------------------------|
| | Year ended December 31, 2013 | Year ended December 31, 2012 |
| Net sales | ¥ 2,128,798 | ¥ 2,113,420 |
| Cost of sales | 1,510,014 | 1,488,101 |
| Gross profit | 618,784 | 625,319 |
| Selling, general and administrative expenses | 430,293 | 426,624 |
| Operating profit | 188,491 | 198,695 |
| Other income (deductions): | | |
| Interest and dividend income | 19,454 | 12,153 |
| Interest expense | (1,659) | (2,214) |
| Other, net | 30,409 | 27,094 |
| | 48,204 | 37,033 |
| Ordinary profit | 236,695 | 235,728 |
| Non-ordinary gain (loss), net | (1,302) | (4,622) |
| Income before income taxes | 235,393 | 231,106 |
| Income taxes | 65,010 | 73,459 |
| Net income | ¥ 170,383 | ¥ 157,647 |

CANON INC.

NON-CONSOLIDATED

12. NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**(Parent company only)**

| Year ended December 31, 2013 | Stockholders' equity | | | | | | | | | | Valuation and translation adjustments | | | Total net assets |
|--|----------------------|---|---------------|---|---|------------------|-----------------------------------|----------------|----------------------------|---|---|-------------------------------|-------------|------------------|
| | Common stock | Capital surplus Additional paid-in capital | Legal reserve | Retained earnings Reserve for special depreciation | Other retained earnings Reserve for deferral of capital gain on property | Special reserves | Retained earnings brought forward | Treasury stock | Total stockholders' equity | Net unrealized gains (losses) on securities | Net deferred profits (losses) on hedges | Subscription rights to shares | | |
| Balance at the beginning of current period | ¥ 174,762 | ¥ 306,288 | ¥ 22,114 | ¥ 434 | ¥ 3,089 | ¥ 1,249,928 | ¥ 649,056 | ¥ (811,673) | ¥ 1,593,998 | ¥ 699 | ¥ (2,368) | ¥ 2,359 | ¥ 1,594,688 | |
| Changes of items during the period | | | | | | | | | | | | | | |
| Transfer to reserve for special depreciation | | | | - | | | - | | | | | | | |
| Reversal of reserve for special depreciation | | | | (140) | | | 140 | | | | | | | |
| Transfer to reserve for deferral of capital gain on property | | | | | 386 | | (386) | | | | | | | |
| Reversal of reserve for deferral of capital gain on property | | | | | (106) | | 106 | | | | | | | |
| Dividends paid | | | | | | | (155,627) | | (155,627) | | | | (155,627) | |
| Net income | | | | | | | 170,383 | | 170,383 | | | | 170,383 | |
| Purchase of treasury stock | | | | | | | | (50,043) | (50,043) | | | | (50,043) | |
| Disposal of treasury stock | | | | | | | (7) | 50 | 43 | | | | 43 | |
| Net changes of items other than stockholders' equity | | | | | | | | | | - | 6,540 | 1,017 | 29 | 7,586 |
| Total changes of items during the period | - | - | - | (140) | 280 | - | 14,609 | (49,993) | (35,244) | 6,540 | 1,017 | 29 | (27,658) | |

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| | | | | | | | | | | | | | |
|---|-----------|-----------|----------|-------|---------|-------------|-----------|-------------|-------------|---------|-----------|---------|-------------|
| Balance at the end of current period | ¥ 174,762 | ¥ 306,288 | ¥ 22,114 | ¥ 294 | ¥ 3,369 | ¥ 1,249,928 | ¥ 663,665 | ¥ (861,666) | ¥ 1,558,754 | ¥ 7,239 | ¥ (1,351) | ¥ 2,388 | ¥ 1,567,030 |
|---|-----------|-----------|----------|-------|---------|-------------|-----------|-------------|-------------|---------|-----------|---------|-------------|

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CANON INC.

NON-CONSOLIDATED

Year ended December 31, 2012

(Millions of yen)

| | Stockholders equity | | | | | | | | | | Valuation and translation adjustments | | Subscription rights to shares | Total net assets |
|--|---------------------|----------------------------|----------------------------------|---------------|--|------------------|-----------------------------------|----------------|---------------------------|---|---|---------|-------------------------------|------------------|
| | Common stock | Capital surplus | | Legal reserve | Retained earnings | | | Treasury stock | Total stockholders equity | Net unrealized gains (losses) on securities | Net deferred profits (losses) on hedges | | | |
| | | Additional paid-in capital | Reserve for special depreciation | | Other retained earnings | | Retained earnings brought forward | | | | | | | |
| | | | | | Reserve for deferral of capital gain on property | Special reserves | | | | | | | | |
| Balance at the beginning of current period | ¥ 174,762 | ¥ 306,288 | ¥ 22,114 | ¥ 371 | ¥ 2,983 | ¥ 1,249,928 | ¥ 633,957 | ¥ (661,731) | ¥ 1,728,672 | ¥ (2,107) | ¥ 388 | ¥ 2,143 | ¥ 1,729,096 | |
| Changes of items during the period | | | | | | | | | | | | | | |
| Transfer to reserve for special depreciation | | | | 240 | | | (240) | | - | | | | - | |
| Reversal of reserve for special depreciation | | | | (177) | | | 177 | | - | | | | - | |
| Transfer to reserve for deferral of capital gain on property | | | | | 201 | | (201) | | - | | | | - | |
| Reversal of reserve for deferral of capital gain on property | | | | | (95) | | 95 | | - | | | | - | |
| Dividends paid | | | | | | | (142,362) | | (142,362) | | | | (142,362) | |
| Net income | | | | | | | 157,647 | | 157,647 | | | | 157,647 | |
| Purchase of treasury stock | | | | | | | | (150,020) | (150,020) | | | | (150,020) | |
| Disposal of treasury stock | | | | | | | (17) | 78 | 61 | | | | 61 | |
| Net changes of items other than stockholders equity | | | | | | | | | - | 2,806 | (2,756) | 216 | 266 | |
| Total changes of items during the period | - | - | - | 63 | 106 | - | 15,099 | (149,942) | (134,674) | 2,806 | (2,756) | 216 | (134,408) | |
| Balance at the end of current period | ¥ 174,762 | ¥ 306,288 | ¥ 22,114 | ¥ 434 | ¥ 3,089 | ¥ 1,249,928 | ¥ 649,056 | ¥ (811,673) | ¥ 1,593,998 | ¥ 699 | ¥ (2,368) | ¥ 2,359 | ¥ 1,594,688 | |

CANON INC.

NON-CONSOLIDATED

13. NOTE FOR GOING CONCERN ASSUMPTION

(Parent company only)

Not applicable.

(Current Titles are Shown in the Parentheses)

Effective Date: March 28, 2014

Directors

(1) Candidates for Directors to be promoted

| | | |
|--------------------------|--------------|---|
| Senior Managing Director | Hideki Ozawa | (Managing Director, President & CEO of Canon (China) Co., Ltd.) |
| Senior Managing Director | Masaya Maeda | (Managing Director, Chief Executive of Image Communication Products Operations) |

(2) Candidates for new Directors to be appointed (*Outside Director)

| | |
|-----------------|--|
| Akiyoshi Kimura | (Executive Officer, Deputy Chief Executive of Office Imaging Products Operations) |
| Eiji Osanai | (Executive Officer, Deputy Group Executive of Production Engineering Headquarters) |
| Kunitaro Saida* | (Lawyer) |
| Haruhiko Kato* | (President & CEO of Japan Securities Depository Center, Inc.) |

(3) Candidates for new Auditors to be appointed

| | |
|---------------|---|
| Makoto Araki | (Director, Group Executive of Information & Communication Systems Headquarters) |
| Osami Yoshida | (Certified Public Accountant) |

(4) Directors to be retired

| | | |
|--|-------------------|----------------------------|
| Advisor to be appointed | Kunio Watanabe | (Executive Vice President) |
| Advisor to be appointed | Masaki Nakaoka | (Senior Managing Director) |
| Advisor to be appointed | Haruhisa Honda | (Senior Managing Director) |
| Corporate Auditor to be appointed | Makoto Araki | (Director) |
| Senior Executive Officer to be appointed | Hiroyuki Suematsu | (Director) |
| Senior Executive Officer to be appointed | Shigeyuki Uzawa | (Director) |

(5) Auditors to be retired

Shunji Onda
Kazunori Watanabe

(Current Titles are Shown in the Parentheses)

Executive Officers

(1) Executive Officers to be promoted

Effective Date: January 1, 2014

| | | |
|--|-----------------|---|
| Senior Executive Officer <u>Effective Date: April 1, 2014</u> | Yuichi Ishizuka | (Executive Officer, Executive Vice President of Canon U.S.A., Inc.) |
|--|-----------------|---|

| | | |
|--------------------------|------------------|---|
| Senior Executive Officer | Rokus van Iperen | (Executive Officer, President & CEO of Canon Europa N.V./Canon Europe Ltd.) |
|--------------------------|------------------|---|

(2) New Executive Officers to be appointed

Effective Date: April 1, 2014

| | |
|--------------------|--|
| Hiroyuki Suematsu* | (Group Executive of Quality Management Headquarters) |
| Shigeyuki Uzawa* | (Chief Executive of Optical Products Operations) |
| Masaaki Nakamura | (Deputy Group Executive of Facilities Management Headquarters) |
| Takashi Takeya | (Senior General Manager of Global Logistics Management Center) |
| Katsumi Iijima | (Senior General Manager of Global IT Administration Center) |
| Nobuyuki Tainaka | (Deputy Senior General Manager of Corporate Legal Center) |

*Senior Executive Officer to be appointed

(3) Executive Officers to be retired

Effective Date: December 31, 2013

| | |
|--|--|
| Kenji Kobayashi <u>Effective Date: March 28, 2014</u> | (President of Canon Latin America, Inc.) |
|--|--|

| | |
|---------------------------------------|---|
| Akiyoshi Kimura | (Deputy Chief Executive of Office Imaging Products Operations) |
| Eiji Osanai | (Deputy Group Executive of Production Engineering Headquarters) |
| <u>Effective Date: March 31, 2014</u> | |

| | |
|-----------------|--|
| Sachio Kageyama | (Group Executive of Global Manufacturing Headquarters) |
|-----------------|--|

**CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 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)

| | 2013 | | 2012 | | (Millions of yen) Change year over year | |
|-------------------------|-------------|-----------|-------------|-----------|--|--------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| | | | | | | |
| Japan | | | | | | |
| Office | 97,488 | 368,308 | 94,052 | 368,939 | +3.7% | -0.2% |
| Imaging System | 76,103 | 215,970 | 74,403 | 213,465 | +2.3% | +1.2% |
| Industry and Others | 38,932 | 131,585 | 30,348 | 137,882 | +28.3% | -4.6% |
| Total | 212,523 | 715,863 | 198,803 | 720,286 | +6.9% | -0.6% |
| Overseas | | | | | | |
| Office | 423,795 | 1,625,590 | 360,639 | 1,383,021 | +17.5% | +17.5% |
| Imaging System | 339,900 | 1,232,216 | 335,889 | 1,190,929 | +1.2% | +3.5% |
| Industry and Others | 58,480 | 157,711 | 56,063 | 185,552 | +4.3% | -15.0% |
| Total | 822,175 | 3,015,517 | 752,591 | 2,759,502 | +9.2% | +9.3% |
| Americas | | | | | | |
| Office | 158,481 | 629,472 | 134,820 | 530,382 | +17.6% | +18.7% |
| Imaging System | 118,193 | 392,373 | 120,383 | 366,888 | -1.8% | +6.9% |
| Industry and Others | 11,066 | 37,656 | 11,149 | 42,603 | -0.7% | -11.6% |
| Total | 287,740 | 1,059,501 | 266,352 | 939,873 | +8.0% | +12.7% |
| Europe | | | | | | |
| Office | 188,760 | 694,563 | 165,551 | 597,341 | +14.0% | +16.3% |
| Imaging System | 122,291 | 404,390 | 116,522 | 394,612 | +5.0% | +2.5% |
| Industry and Others | 8,616 | 25,976 | 6,836 | 22,085 | +26.0% | +17.6% |
| Total | 319,667 | 1,124,929 | 288,909 | 1,014,038 | +10.6% | +10.9% |
| Asia and Oceania | | | | | | |
| Office | 76,554 | 301,555 | 60,268 | 255,298 | +27.0% | +18.1% |
| Imaging System | 99,416 | 435,453 | 98,984 | 429,429 | +0.4% | +1.4% |
| Industry and Others | 38,798 | 94,079 | 38,078 | 120,864 | +1.9% | -22.2% |
| Total | 214,768 | 831,087 | 197,330 | 805,591 | +8.8% | +3.2% |
| Intersegment | | | | | | |
| Office | 687 | 6,175 | 1,632 | 5,615 | -57.9% | +10.0% |
| Imaging System | 178 | 752 | 383 | 1,577 | -53.5% | -52.3% |
| Industry and Others | 21,369 | 85,574 | 20,357 | 84,406 | +5.0% | +1.4% |
| Eliminations | (22,234) | (92,501) | (22,372) | (91,598) | - | - |
| Total | 0 | 0 | 0 | 0 | - | - |
| Total | | | | | | |
| Office | 521,970 | 2,000,073 | 456,323 | 1,757,575 | +14.4% | +13.8% |
| Imaging System | 416,181 | 1,448,938 | 410,675 | 1,405,971 | +1.3% | +3.1% |
| Industry and Others | 118,781 | 374,870 | 106,768 | 407,840 | +11.3% | -8.1% |
| Eliminations | (22,234) | (92,501) | (22,372) | (91,598) | - | - |
| Total | 1,034,698 | 3,731,380 | 951,394 | 3,479,788 | +8.8% | +7.2% |

2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2014/Projection)**(1) Sales by business unit**

| | 2014 (P) | 2013 | (Millions of yen) |
|---------------------|-----------|-----------|-----------------------|
| | Year | Year | Change year over year |
| | | | Year |
| Office | 2,114,900 | 2,000,073 | +5.7% |
| Imaging System | 1,388,100 | 1,448,938 | -4.2% |
| Industry and Others | 444,500 | 374,870 | +18.6% |
| Eliminations | (97,500) | (92,501) | - |
| Total | 3,850,000 | 3,731,380 | +3.2% |

(P)=Projection

(2) Sales by region

| | 2014 (P) | 2013 | (Millions of yen) |
|------------------|-----------|-----------|-----------------------|
| | Year | Year | Change year over year |
| | | | Year |
| Japan | 767,500 | 715,863 | +7.2% |
| Overseas | 3,082,500 | 3,015,517 | +2.2% |
| Americas | 1,057,300 | 1,059,501 | -0.2% |
| Europe | 1,161,600 | 1,124,929 | +3.3% |
| Asia and Oceania | 863,600 | 831,087 | +3.9% |
| Total | 3,850,000 | 3,731,380 | +3.2% |

(P)=Projection

3. SEGMENT INFORMATION BY BUSINESS UNIT (2013)

| | 2013 | | 2012 | | (Millions of yen) Change year over year | |
|-----------------------------------|---------------|-----------|-------------|-----------|---|--------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| | Office | | | | | |
| External customers | 521,283 | 1,993,898 | 454,691 | 1,751,960 | +14.6% | +13.8% |
| Intersegment | 687 | 6,175 | 1,632 | 5,615 | -57.9% | +10.0% |
| Total sales | 521,970 | 2,000,073 | 456,323 | 1,757,575 | +14.4% | +13.8% |
| Operating profit | 63,551 | 266,908 | 51,272 | 203,578 | +23.9% | +31.1% |
| % of sales | 12.2% | 13.3% | 11.2% | 11.6% | - | - |
| Imaging System | | | | | | |
| External customers | 416,003 | 1,448,186 | 410,292 | 1,404,394 | +1.4% | +3.1% |
| Intersegment | 178 | 752 | 383 | 1,577 | -53.5% | -52.3% |
| Total sales | 416,181 | 1,448,938 | 410,675 | 1,405,971 | +1.3% | +3.1% |
| Operating profit | 62,096 | 203,794 | 54,963 | 210,318 | +13.0% | -3.1% |
| % of sales | 14.9% | 14.1% | 13.4% | 15.0% | - | - |
| Industry and Others | | | | | | |
| External customers | 97,412 | 289,296 | 86,411 | 323,434 | +12.7% | -10.6% |
| Intersegment | 21,369 | 85,574 | 20,357 | 84,406 | +5.0% | +1.4% |
| Total sales | 118,781 | 374,870 | 106,768 | 407,840 | +11.3% | -8.1% |
| Operating profit | (3,827) | (25,331) | (9,450) | 5,910 | - | - |
| % of sales | -3.2% | -6.8% | -8.9% | 1.4% | - | - |
| Corporate and Eliminations | | | | | | |
| External customers | - | - | - | - | - | - |
| Intersegment | (22,234) | (92,501) | (22,372) | (91,598) | - | - |
| Total sales | (22,234) | (92,501) | (22,372) | (91,598) | - | - |
| Operating profit | (28,280) | (108,094) | (19,081) | (95,950) | - | - |
| Consolidated | | | | | | |
| External customers | 1,034,698 | 3,731,380 | 951,394 | 3,479,788 | +8.8% | +7.2% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 1,034,698 | 3,731,380 | 951,394 | 3,479,788 | +8.8% | +7.2% |
| Operating profit | 93,540 | 337,277 | 77,704 | 323,856 | +20.4% | +4.1% |
| % of sales | 9.0% | 9.0% | 8.2% | 9.3% | - | - |

4. OTHER INCOME / DEDUCTIONS (2013)

| | 2013 | | 2012 | | (Millions of yen) Change year over year | |
|---|----------------------------|---------|-------------|--------|---|----------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| | Interest and dividend, net | 2,147 | 6,029 | 1,194 | 5,770 | +953 |
| Forex gain (loss) | 4,091 | (1,992) | 10,477 | 9,130 | (6,386) | (11,122) |
| Equity earnings (loss) of affiliated companies | (308) | (664) | (64) | 610 | (244) | (1,274) |
| Other, net | 955 | 6,954 | (203) | 3,191 | +1,158 | +3,763 |
| Total | 6,885 | 10,327 | 11,404 | 18,701 | (4,519) | (8,374) |

5. SEGMENT INFORMATION BY BUSINESS UNIT (2014/Projection)

| | 2014 (P) | 2013 | (Millions of yen) Change year over year |
|-----------------------------------|-----------|-----------|---|
| | Year | Year | Year |
| Office | | | |
| External customers | 2,111,800 | 1,993,898 | +5.9% |
| Intersegment | 3,100 | 6,175 | -49.8% |
| Total sales | 2,114,900 | 2,000,073 | +5.7% |
| Operating profit | 286,100 | 266,908 | +7.2% |
| % of sales | 13.5% | 13.3% | - |
| Imaging System | | | |
| External customers | 1,386,500 | 1,448,186 | -4.3% |
| Intersegment | 1,600 | 752 | +112.8% |
| Total sales | 1,388,100 | 1,448,938 | -4.2% |
| Operating profit | 196,000 | 203,794 | -3.8% |
| % of sales | 14.1% | 14.1% | - |
| Industry and Others | | | |
| External customers | 351,700 | 289,296 | +21.6% |
| Intersegment | 92,800 | 85,574 | +8.4% |
| Total sales | 444,500 | 374,870 | +18.6% |
| Operating profit | (17,500) | (25,331) | - |
| % of sales | -3.9% | -6.8% | - |
| Corporate and Eliminations | | | |
| External customers | - | - | - |
| Intersegment | (97,500) | (92,501) | - |
| Total sales | (97,500) | (92,501) | - |
| Operating profit | (104,600) | (108,094) | - |
| Consolidated | | | |
| External customers | 3,850,000 | 3,731,380 | +3.2% |
| Intersegment | - | - | - |
| Total sales | 3,850,000 | 3,731,380 | +3.2% |
| Operating profit | 360,000 | 337,277 | +6.7% |
| % of sales | 9.4% | 9.0% | - |

(P)=Projection

6. OTHER INCOME / DEDUCTIONS (2014/Projection)

| | 2014 (P) | 2013 | (Millions of yen) Change year over year |
|--|----------|---------|---|
| | Year | Year | Year |
| Interest and dividend, net | 4,000 | 6,029 | (2,029) |
| Forex gain (loss) | (2,300) | (1,992) | (308) |
| Equity earnings (loss) of affiliated companies | 1,100 | (664) | +1,764 |
| Other, net | (2,800) | 6,954 | (9,754) |
| Total | 0 | 10,327 | (10,327) |

(P)=Projection

7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2014 (P) | 2013 | | 2012 | |
|----------------------------|----------|-------------|------|-------------|------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Office | | | | | |
| Monochrome copiers | 16% | 16% | 16% | 16% | 16% |
| Color copiers | 20% | 20% | 19% | 20% | 19% |
| Printers | 41% | 39% | 42% | 43% | 44% |
| Others | 23% | 25% | 23% | 21% | 21% |
| Imaging System | | | | | |
| Cameras | 64% | 65% | 67% | 68% | 70% |
| Inkjet printers | 28% | 27% | 25% | 25% | 22% |
| Others | 8% | 8% | 8% | 7% | 8% |
| Industry and Others | | | | | |
| Lithography equipment | 24% | 30% | 17% | 8% | 15% |
| Others | 76% | 70% | 83% | 92% | 85% |

(P)=Projection

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

| | 2014 (P) | 2013 | |
|----------------------------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| Office | | | |
| Japan | - | +3.7% | -0.2% |
| Overseas | - | -6.4% | -4.8% |
| Total | +3.5% | -4.5% | -3.8% |
| Imaging System | | | |
| Japan | - | +2.3% | +1.2% |
| Overseas | - | -19.5% | -16.5% |
| Total | -6.1% | -15.6% | -13.8% |
| Industry and Others | | | |
| Japan | - | +28.3% | -4.6% |
| Overseas | - | -4.8% | -23.1% |
| Total | +18.1% | +6.5% | -11.8% |
| Total | | | |
| Japan | +7.2% | +6.9% | -0.6% |
| Overseas | -0.2% | -12.1% | -11.1% |
| Americas | -2.2% | -13.0% | -8.1% |
| Europe | -0.2% | -14.2% | -11.8% |
| Asia and Oceania | +2.4% | -7.9% | -13.6% |
| Total | +1.2% | -8.1% | -8.9% |

(P)=Projection

9. PROFITABILITY

| | 2014 (P) | 2013 | 2012 |
|--------|----------|------|------|
| | Year | Year | Year |
| ROE *1 | 8.2% | 8.4% | 8.7% |
| ROA *2 | 5.6% | 5.6% | 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.

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

| | 2014 (P) | | 2013 | | 2012 |
|----------|----------|-------------|--------|-------------|--------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Yen/US\$ | 100.00 | 100.50 | 97.84 | 81.26 | 79.96 |
| Yen/Euro | 135.00 | 136.69 | 130.01 | 105.31 | 102.80 |

(P)=Projection

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

| | 2014 (P) | | 2013 | |
|------------------|----------|-------------|--------|-------------|
| | Year | 4th quarter | Year | 4th quarter |
| US\$ | +18.7 | +69.6 | +257.0 | |
| Euro | +31.9 | +62.4 | +193.6 | |
| Other currencies | +4.8 | +14.9 | +63.4 | |
| Total | +55.4 | +146.9 | +514.0 | |

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | 2014 (P) | |
|---------------------|----------|-------------|
| | Year | 4th quarter |
| On sales | | |
| US\$ | 16.8 | |
| Euro | 7.0 | |
| On operating profit | | |
| US\$ | 6.4 | |
| Euro | 3.4 | |

(P)=Projection

11. STATEMENTS OF CASH FLOWS

| | 2014 (P) | | 2013 | | 2012 |
|--|-----------|-------------|-----------|-------------|-----------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Net cash provided by operating activities | 515,000 | 164,316 | 507,642 | 118,262 | 384,077 |
| Net cash used in investing activities | (300,000) | (42,603) | (250,212) | (57,707) | (212,740) |
| Free cash flow | 215,000 | 121,713 | 257,430 | 60,555 | 171,337 |
| Net cash used in financing activities | (150,800) | (10,114) | (222,181) | (6,629) | (319,739) |
| Effect of exchange rate changes on cash and cash equivalents | (28,100) | 36,789 | 86,982 | 45,142 | 41,853 |
| Net change in cash and cash equivalents | 36,100 | 148,388 | 122,231 | 99,068 | (106,549) |
| Cash and cash equivalents at end of period | 825,000 | 788,909 | 788,909 | 666,678 | 666,678 |

(P)=Projection

12. R&D EXPENDITURE

(Millions of yen)

| | 2014 (P) | 2013 | 2012 |
|----------------------------|----------|---------|---------|
| | Year | Year | Year |
| Office | - | 105,246 | 99,484 |
| Imaging System | - | 84,377 | 83,948 |
| Industry and Others | - | 25,701 | 25,635 |
| Corporate and Eliminations | - | 91,000 | 87,397 |
| Total | 310,000 | 306,324 | 296,464 |
| % of sales | 8.1% | 8.2% | 8.5% |

(P)=Projection

13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2014 (P) | 2013 | 2012 |
|--------------------------------------|----------|---------|---------|
| | Year | Year | Year |
| Increase in PP&E | | | |
| Office | - | 51,457 | 54,932 |
| Imaging System | - | 41,853 | 55,623 |
| Industry and Others | - | 25,662 | 42,288 |
| Corporate and Eliminations | - | 69,854 | 117,614 |
| Total | 210,000 | 188,826 | 270,457 |
| Depreciation and amortization | | | |
| Office | - | 88,344 | 77,660 |
| Imaging System | - | 56,564 | 53,664 |
| Industry and Others | - | 37,072 | 34,264 |
| Corporate and Eliminations | - | 93,193 | 92,545 |
| Total | 270,000 | 275,173 | 258,133 |

(P)=Projection

14. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2013 | 2012 | |
|---------------------|---------|---------|------------|
| | Dec.31 | Dec.31 | Difference |
| Office | 227,413 | 201,661 | +25,752 |
| Imaging System | 221,368 | 245,973 | (24,605) |
| Industry and Others | 104,992 | 103,989 | +1,003 |
| Total | 553,773 | 551,623 | +2,150 |

(2) Inventories/Sales*

(Days)

| | 2013 | 2012 | |
|---------------------|--------|--------|------------|
| | Dec.31 | Dec.31 | Difference |
| Office | 41 | 43 | (2) |
| Imaging System | 53 | 61 | (8) |
| Industry and Others | 115 | 124 | (9) |
| Total | 52 | 57 | (5) |

*Index based on the previous six months sales.

15. DEBT RATIO

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

16. OVERSEAS PRODUCTION RATIO

| | 2013 | 2012 |
|---------------------------|------|------|
| | Year | Year |
| Overseas production ratio | 57% | 52% |

17. NUMBER OF EMPLOYEES

| | 2013 | 2012 | Difference |
|----------|---------|---------|------------|
| | Dec.31 | Dec.31 | |
| Japan | 69,825 | 70,234 | (409) |
| Overseas | 124,326 | 126,734 | (2,408) |
| Total | 194,151 | 196,968 | (2,817) |

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