

CANON INC
Form 6-K
January 28, 2016

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** **2016** ,

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 28, 2016**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama

Deputy Senior General Manager

Group Management Center

Canon Inc.

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

The following materials are included.

1. RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2015

RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2015

January 27, 2016

CONSOLIDATED RESULTS

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

| | Actual | | | Projected | | |
|--|---------------------------------|---------------------------------|-----------|---------------------------------|----------------------------------|-----------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Change(%) | Year ended December 31, 2015 | Year ending December 31, 2016 | Change(%) |
| Net sales | ¥ 3,800,271 | ¥ 3,727,252 | + 2.0 | \$ 31,407,198 | ¥ 3,850,000 | + 1.3 |
| Operating profit | 355,210 | 363,489 | - 2.3 | 2,935,620 | 360,000 | + 1.3 |
| Income before income taxes | 347,438 | 383,239 | - 9.3 | 2,871,388 | 360,000 | + 3.6 |
| Net income attributable to | | | | | | |
| Canon Inc. | ¥ 220,209 | ¥ 254,797 | - 13.6 | \$ 1,819,909 | ¥ 230,000 | + 4.4 |
| Net income attributable to Canon Inc. shareholders per share: | | | | | | |
| - Basic | ¥ 201.65 | ¥ 229.03 | - 12.0 | \$ 1.67 | ¥ 210.61 | + 4.4 |
| - Diluted | 201.65 | 229.03 | - 12.0 | 1.67 | - | - |

| | Actual | | | As of December 31, 2015 |
|-----------------------------------|-------------------------------|-------------------------------|-----------|-------------------------------|
| | As of December 31, 2015 | As of December 31, 2014 | Change(%) | |
| Total assets | ¥ 4,427,773 | ¥ 4,460,618 | - 0.7 | \$ 36,593,165 |
| Canon Inc. shareholders equity | ¥ 2,966,415 | ¥ 2,978,184 | - 0.4 | \$ 24,515,826 |

- 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 121= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2015, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

| | Actual | | | |
|------------------------------|---------------------------------|---------------------------------|-----------|---------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | Change(%) | Year ended December 31, 2015 |
| Net sales | ¥ 2,091,139 | ¥ 2,084,200 | + 0.3 | \$ 17,282,140 |
| Operating profit | 169,238 | 204,937 | - 17.4 | 1,398,661 |
| Ordinary profit | 269,818 | 249,348 | + 8.2 | 2,229,901 |
| Net income | ¥ 211,963 | ¥ 175,471 | + 20.8 | \$ 1,751,760 |
| Net income per share: | | | | |
| - Basic | ¥ 194.10 | ¥ 157.72 | + 23.1 | \$ 1.60 |
| - Diluted | 194.10 | 157.72 | + 23.1 | 1.60 |
| Dividend per share | 150.00 | 150.00 | - | 1.24 |

| | Actual | | | |
|--------------|-------------------------------|-------------------------------|-----------|----------------------------|
| | As of December 31, 2015 | As of December 31, 2014 | Change(%) | As of December 31, 2015 |
| Total assets | ¥ 2,437,924 | ¥ 2,315,680 | + 5.3 | \$ 20,148,132 |
| Net assets | ¥ 1,484,157 | ¥ 1,447,322 | + 2.5 | \$ 12,265,760 |

Notes: U.S. dollar amounts are translated from yen at the rate of JPY 121= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2015, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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

I. Operating Results and Financial Conditions

2015 in Review

Looking back at the global economy in 2015, the U.S. economy continued to grow steadily as employment conditions and consumer spending progressively improved. In Europe, developed countries such as the U.K. led a moderate economic recovery. In contrast, China's economy continued to decline, weighed down by excessive investments, and the economies of emerging countries, including those of Southeast Asia and India, slowed due to such factors as the recession in China and a decline in resource prices. As for the Japanese economy, improvements were seen in both corporate earnings and employment conditions during the year. Despite expectations at the beginning of 2015 that the global economy would realize a modest recovery led by the U.S. economy, during the second half, as the slowdown in China's economy became evident, emerging economies also grew weaker. As a result, the global economy overall experienced its lowest level of growth since the financial crisis precipitated by Lehman Brothers' bankruptcy in 2008.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) remained firm, mainly for color models. As for cameras, the interchangeable-lens digital camera market continued to face harsh conditions owing to currency depreciations in emerging countries and the slowdown in China. Likewise, demand for digital compact cameras also declined amid the shrinking market. Additionally, demand for inkjet printers decreased in emerging countries, mainly in Asia, due to the depreciations of emerging country currencies and the slowdown in China. In the industrial equipment market, ongoing strong investment by manufacturers led to healthy demand for semiconductor lithography systems for memory devices, image sensors and power semiconductor devices. Additionally, demand for lithography equipment used in the production of flat panel displays (FPDs) increased for large-size panels as device manufacturers boost capital investment for larger-size LCD panels that offer higher levels of resolution.

The average value of the yen during the year was ¥121.13 against the U.S. dollar, a year-on-year depreciation of approximately ¥15, and ¥134.20 against the euro, a year-on-year appreciation of approximately ¥6.

During 2015, sales of digital cameras and inkjet printers declined in the face of continued harsh conditions, mainly in China and emerging Asian countries. By contrast, sales of color-model office MFDs and color-model light-production printing systems increased steadily. Sales of semiconductor lithography equipment and FPD lithography equipment also largely exceeded those for the previous year thanks to favorable market conditions. Consequently, benefitting from the boost provided by the acquisition of Axis and the positive effect of favorable currency exchange rates, net sales for the year increased 2.0% year on year to ¥3,800.3 billion. The gross profit ratio for the year rose 1.0 point year on year to 50.9% thanks to ongoing cost-cutting activities and highly profitable new products. Operating expenses increased 5.4% year on year to ¥1,579.2 billion owing to such factors as the increase in foreign-currency-denominated operating expenses after conversion into yen due to the depreciation of the yen, along with the impact of the acquisition of Axis and an increase in R&D expenses related to new products. As a result, operating profit decreased by 2.3% to ¥355.2 billion. Other income (deductions) decreased by ¥27.5 billion due to foreign currency exchange losses, leading to a year-on-year decline in income before income taxes of 9.3% to ¥347.4 billion, and a decrease in net income attributable to Canon Inc. of 13.6% to ¥220.2 billion.

Basic net income attributable to Canon Inc. shareholders per share for the year was ¥201.65, a year-on-year decrease of ¥27.38.

Results by Segment

Looking at Canon's full-year performance by business unit, within the Office Business Unit, as for office MFDs, thanks to strong sales of color models led by new small-office/home-office color A3 (12 x18 ") imageRUNNER ADVANCE C3300-series models and imagePRESS C800/700-series color digital presses targeting the light production market, unit sales of color models increased compared with the previous year, as did unit sales for the segment overall, including monochrome models, which had been facing decreasing demand. Among high-speed continuous-feed printers, the new Océ-produced VarioPrint i300, Canon's first high-speed sheet-fed color inkjet press, gained favorable reviews. As for laser printers, total sales volume decreased due to declining demand in emerging countries. Those factors, coupled with the positive effect of favorable currency exchange rates, resulted in sales for the business unit totaling ¥2,110.8 billion, a year-on-year increase of 1.5%, while operating profit totaled ¥290.6 billion, a year-on-year decrease of 0.5%.

Within the Imaging System Business Unit, although total sales volume of interchangeable-lens digital cameras declined due to currency depreciations in emerging countries and the slowdown of China's economy, there were positive signs of a recovery in sales in the U.S. and Japan. Additionally, sales have been strong for such models as the EOS 5DS and EOS 5DS R digital SLR cameras, which deliver the highest resolution of any model in the history of EOS cameras. As for digital compact cameras, while sales volume declined amid the ongoing contraction of the market, the ratio of more profitable high-added-value models increased owing to efforts to strengthen the lineup of PowerShot G-series models. As for inkjet printers, although Canon has been working to expand sales through the Company's broad product lineup, ranging from home-use printers to MAXIFY-series business models, total sales volume declined due to the significant impact of shrinking markets, mainly in Asia. In contrast, sales of consumable supplies enjoyed solid demand. As a result, sales for the business unit totaled ¥1,263.8 billion, a year-on-year decrease of 5.9%, while operating profit totaled ¥183.4 billion, declining 5.7% year on year.

In the Industry and Others Business Unit, within the semiconductor lithography equipment segment, unit sales increased owing to strong capital investment in response to growing demand for memory devices used in mobile devices such as smartphones, and in cloud servers, along with increased demand for on-board automotive devices and for communication devices supporting the development of the IoT (Internet of Things). Unit sales of FPD lithography equipment also increased, particularly systems used in the fabrication of large-size panels. Consequently, along with the impact of the acquisition of Axis, which was consolidated in the second quarter, sales for the business unit increased 31.6% year on year to ¥524.7 billion. As for operating profit, although it improved by ¥8.7 billion compared with the previous year, the business unit was in the red by ¥13.1 billion due to upfront investment in next-generation technologies and new businesses.

Cash Flow

During 2015, cash flow from operating activities totaled ¥474.7 billion, a decrease of ¥109.2 billion compared with the previous year due to the decrease in profit along with the increase in working capital. Cash flow from investing activities increased ¥184.3 billion year on year to ¥453.6 billion, mainly due to the payment for the acquisition of Axis. Accordingly, free cash flow totaled ¥21.1 billion, a decrease of ¥293.5 billion compared with the previous year.

Cash flow from financing activities recorded an outlay of ¥210.2 billion, mainly arising from the dividend payout.

Owing to these factors, as well as the negative impact of foreign currency translation adjustments, cash and cash equivalents decreased by ¥211.0 billion to ¥633.6 billion from the end of the previous year.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,091.1 billion, a year-on-year increase of 0.3% while ordinary profit increased by 8.2% to ¥269.8 billion, and net income increased by 20.8% to ¥212.0 billion.

Outlook

As for the outlook in 2016, the U.S. and European economies are expected to grow moderately thanks to expanding domestic demand as employment conditions continue to improve. With regard to the Japanese economy, the outlook indicates a gradual recovery trend amid increased capital investment and wage growth supported by improved corporate earnings. Looking at China's economy, the slowdown is expected to continue due to sluggish domestic demand and capital investment. Emerging economies, such as those of Southeast Asia, India, Brazil and Russia, are likely to face slowdowns owing to currency depreciations or declines in resource prices. Overall, the global economy is expected to face harsh economic conditions for some time.

In the businesses in which Canon is involved, although demand for color office MFDs and production printers is expected to continue growing, a recovery in sales of products that are largely sold in emerging markets, such as entry-class cameras and single-function laser printers, is expected to take time. Within the market for semiconductor lithography equipment, capital investment is expected to remain strong while forecasts for the FPD lithography equipment market also point to further future expansion. Also expected to grow is the network camera market, a market in which Axis, which became a consolidated subsidiary in 2015, is a major player.

With regard to currency exchange rates for the year, on which the Company's performance outlook is based, taking into account the expectation of a strong U.S. dollar supported by continuous interest rates hikes in the future, Canon anticipates exchange rates of ¥120 to the U.S. dollar and ¥130 to the euro, representing appreciations of approximately ¥1 against the U.S. dollar and approximately ¥4 against the euro.

Taking these foreign exchange rate assumptions into consideration and the current economic forecast, Canon projects full-year consolidated net sales in 2016 of ¥3,850.0 billion, a year-on-year increase of 1.3%; operating profit of ¥360.0 billion, a year-on-year increase of 1.3%; income before income taxes of ¥360.0 billion, a year-on-year increase of 3.6%; and net income attributable to Canon Inc. of ¥230.0 billion, a year-on-year increase of 4.4%.

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 2015, the business environment remained challenging, characterized by, among other factors, economic slowdowns in China and emerging countries. Thanks, however, to efforts to boost product competitiveness and strengthen the Company's financial position through a management focus on profitability and cash flow, Canon was able to generate ample cash reserves. Taking this into consideration while seeking to actively provide a stable return to shareholders, Canon has decided to distribute a full-year dividend of ¥150 per share, (interim dividend of ¥75 per share [already distributed] and year-end dividend of ¥75), which is the same as the previous year's 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, 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.

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 with the aim of improving corporate value, promoting management reform, raising product competitiveness and strengthening its financial base. In 2011, under the slogan "Aiming for the Summit," Canon embarked on a new five-year initiative: Phase IV of the Excellent Global Corporation Plan. Under this initiative, Canon aimed to make large strides toward becoming a truly excellent corporation, targeting sound business growth through measures aimed at maintaining high profitability and further expanding corporate scale.

Over the five years that followed, however, the global economy proved highly challenging due to such factors as Europe's financial crisis and further economic slowdowns in China and other emerging markets. In response, Canon charted a new course away from a management focus targeting expansion to a strategy aimed at strengthening its financial condition. In this way, the Company aimed to achieve a structure capable of withstanding the recession, while also restructuring business foundations representing new growth engines to facilitate great strides in the future.

During Phase V, launched in 2016 under the basic policy of "Embracing the challenge of new growth through a grand strategic transformation," reforms that were promoted in Phase IV will be further expanded upon. In 2020, the final year of Phase V, Canon aims to achieve net sales of 5 trillion yen, an operating profit ratio of 15% or more, a net income ratio of 10% or more, and a shareholders' equity ratio of 70% or more.

(3) Business Challenges and Countermeasures

Although the global economy is expected to be somewhat better than what it had been over the past five years, the situation remains unstable due to issues such as increased geopolitical risk in the Middle East and the economic slowdown in China. As such, global economic growth is expected to remain modest. From an industrial perspective, however, remarkable developments are being made in technologies in such areas as the IoT and artificial intelligence, which are leading to major changes in industry structure.

Advancements in digital technology have made it easier for startup companies to enter markets, thus fueling increased market competition. Additionally, in the markets in which Canon participates, the office equipment and digital camera markets continue to mature.

To realize new growth and overcome these changes in the market environment, Canon will work to reform all aspects of development, production and sales to further promote enhanced profitability and the rollout of new businesses.

The following key strategies have been drafted for, and will be actively implemented during, Phase V.

1. Establish a new production system to achieve a cost-of-sales ratio of 45%

Strengthen domestic mother factories by further promoting the return of production to Japan and the integration of design, procurement, production engineering, and manufacturing technology operations. At the same time, pursue

total cost reductions through the promotion of such advanced production engineering technologies as robotics and automation.

2. Reinforce and expand new businesses while creating future businesses

Create and expand new businesses by accelerating the horizontal expansion of existing business. Additionally, concentrate management resources and make effective use of M&A to accelerate the expansion of promising business areas such as commercial printing, network cameras and life sciences.

3. Restructure the global sales network in accordance with market changes

Review existing sales organizations and reinforce omni-channel marketing that integrates online and brick-and-mortar sales routes while strengthening and expanding solutions-driven businesses with the aim of solving issues faced by customers. Additionally, continue focusing energies on developing marketing in emerging countries.

4. Enhance R&D capabilities through open innovation

Discard the strict notion of self-sufficiency and construct an R&D system that proactively leverages external technologies and knowledge, promoting joint and contract research with various partners such as domestic and foreign universities and research institutes.

5. Complete the Three Regional Headquarters management system capturing world dynamism

Promote the acquisition of promising businesses through active M&A and complete the Three Regional Headquarter management system, under which Japan, the U.S. and Europe will each roll out businesses globally.

Additionally, under the theme "Taking a decisive first step toward transformation," the following key challenges will be pursued in 2016, the inaugural year of Phase V.

1. Draft and implement plans to revitalize existing businesses

Raise profitability through drastic cost-cutting and work to revitalize businesses, swiftly launching future products that were exhibited at Canon EXPO 2015.

2. Rapidly expand new businesses

Work to speed up the expansion and deployment of large-scale businesses such as commercial printing and network cameras.

3. Accelerate efforts aimed at reducing the cost-of-sales ratio

Continue to investigate optimal locations for production sites and work to accelerate cost reductions at all stages, including product development.

4. Boost sales productivity through marketing reforms

Accelerate efforts to address global growth in e-commerce and work to reinforce the solutions business.

5. Improve R&D productivity through selection and concentration

Apply the selection and concentration process to development themes and boost R&D productivity.

6. Promote the cultivation of global human resources

Build a structure to discover talented individuals from within the entire Canon Group to cultivate global competent human resources capable of performing duties while maintaining an all-encompassing perspective of the world map.

III. Basic Concept Regarding the Selection of Accounting Standards

Canon is listed on the New York Stock Exchange and, since registering its American Depositary Receipts on the OTC (over-the-counter) market in 1969, has prepared its consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) over the long term.

Canon has continued to adopt U.S. GAAP in order to maintain the continuity of financial statements from the past and to maintain international comparability.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Change |
|--|----------------------------|----------------------------|---|-----------|
| | As of December 31, 2015 | As of December 31, 2014 | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 633,613 | ¥ 844,580 | ¥ | (210,967) |
| Short-term investments | 20,651 | 71,863 | | (51,212) |
| Trade receivables, net | 588,001 | 625,675 | | (37,674) |
| Inventories | 501,895 | 528,167 | | (26,272) |
| Prepaid expenses and other current assets | 313,019 | 321,648 | | (8,629) |
| Total current assets | 2,057,179 | 2,391,933 | | (334,754) |
| Noncurrent receivables | 29,476 | 29,785 | | (309) |
| Investments | 67,862 | 65,176 | | 2,686 |
| Property, plant and equipment, net | 1,219,652 | 1,269,529 | | (49,877) |
| Intangible assets, net | 241,208 | 177,288 | | 63,920 |
| Goodwill | 478,943 | 211,336 | | 267,607 |
| Other assets | 333,453 | 315,571 | | 17,882 |
| Total assets | ¥ 4,427,773 | ¥ 4,460,618 | ¥ | (32,845) |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 688 | ¥ 1,018 | ¥ | (330) |
| Trade payables | 278,255 | 310,214 | | (31,959) |
| Accrued income taxes | 47,431 | 57,212 | | (9,781) |
| Accrued expenses | 317,653 | 345,237 | | (27,584) |
| Other current liabilities | 171,302 | 207,698 | | (36,396) |
| Total current liabilities | 815,329 | 921,379 | | (106,050) |
| Long-term debt, excluding current installments | 881 | 1,148 | | (267) |
| Accrued pension and severance cost | 296,262 | 280,928 | | 15,334 |
| Other noncurrent liabilities | 130,838 | 116,405 | | 14,433 |
| Total liabilities | 1,243,310 | 1,319,860 | | (76,550) |

Equity:

Canon Inc. shareholders' equity:

| | | | |
|---|--------------------|-------------|------------|
| Common stock | 174,762 | 174,762 | - |
| Additional paid-in capital | 401,358 | 401,563 | (205) |
| Legal reserve | 65,289 | 64,599 | 690 |
| Retained earnings | 3,365,158 | 3,320,392 | 44,766 |
| Accumulated other comprehensive income (loss) | (29,742) | 28,286 | (58,028) |
| Treasury stock, at cost | (1,010,410) | (1,011,418) | 1,008 |
| Total Canon Inc. shareholders' equity | 2,966,415 | 2,978,184 | (11,769) |
| Noncontrolling interests | 218,048 | 162,574 | 55,474 |
| Total equity | 3,184,463 | 3,140,758 | 43,705 |
| Total liabilities and equity | ¥ 4,427,773 | ¥ 4,460,618 | ¥ (32,845) |

Millions of yen

| | As of December 31, 2015 | As of December 31, 2014 |
|---|--|------------------------------------|
| Notes: | | |
| 1. Allowance for doubtful receivables | ¥ 12,077 | ¥ 12,122 |
| 2. Accumulated depreciation | 2,570,806 | 2,519,259 |
| 3. Accumulated other comprehensive income (loss): | | |
| Foreign currency translation adjustments | 87,038 | 144,557 |
| Net unrealized gains and losses on securities | 14,055 | 12,546 |
| Net gains and losses on derivative instruments | 182 | (2,603) |
| Pension liability adjustments | (131,017) | (126,214) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | Change(%) | |
|---|--|--|-----------|-----|
| | Three months ended December 31, 2015 | Three months ended December 31, 2014 | | |
| Net sales | ¥ 1,042,638 | ¥ 1,059,936 | - | 1.6 |
| Cost of sales | 519,830 | 544,922 | | |
| Gross profit | 522,808 | 515,014 | + | 1.5 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 332,471 | 334,398 | | |
| Research and development expenses | 83,295 | 82,147 | | |
| | 415,766 | 416,545 | | |
| Operating profit | 107,042 | 98,469 | + | 8.7 |
| Other income (deductions): | | | | |
| Interest and dividend income | 1,196 | 2,157 | | |
| Interest expense | (73) | (140) | | |
| Other, net | 796 | 6,423 | | |
| | 1,919 | 8,440 | | |
| Income before income taxes | 108,961 | 106,909 | + | 1.9 |
| Income taxes | 35,660 | 34,594 | | |
| Consolidated net income | 73,301 | 72,315 | | |
| Less: Net income attributable to noncontrolling interests | 4,397 | 4,225 | | |
| Net income attributable to Canon Inc. | ¥ 68,904 | ¥ 68,090 | + | 1.2 |

Results for the fiscal year

| | Millions of yen | | Change(%) | |
|--|---------------------------------|---------------------------------|-----------|--|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | | |

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| | | | | |
|---|--------------------|-------------|---|------|
| Net sales | ¥ 3,800,271 | ¥ 3,727,252 | + | 2.0 |
| Cost of sales | 1,865,887 | 1,865,780 | | |
| Gross profit | 1,934,384 | 1,861,472 | + | 3.9 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 1,250,674 | 1,189,004 | | |
| Research and development expenses | 328,500 | 308,979 | | |
| | 1,579,174 | 1,497,983 | | |
| Operating profit | 355,210 | 363,489 | - | 2.3 |
| Other income (deductions): | | | | |
| Interest and dividend income | 5,501 | 7,906 | | |
| Interest expense | (584) | (500) | | |
| Other, net | (12,689) | 12,344 | | |
| | (7,772) | 19,750 | | |
| Income before income taxes | 347,438 | 383,239 | - | 9.3 |
| Income taxes | 116,105 | 118,000 | | |
| Consolidated net income | 231,333 | 265,239 | | |
| Less: Net income attributable to noncontrolling interests | 11,124 | 10,442 | | |
| Net income attributable to Canon Inc. | ¥ 220,209 | ¥ 254,797 | - | 13.6 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

Results for the fourth quarter

| | Millions of yen | | Change(%) | |
|---|---|---|-----------|------|
| | Three months ended December 31, 2015 | Three months ended December 31, 2014 | | |
| Consolidated net income | ¥ 73,301 | ¥ 72,315 | + | 1.4 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | (3,984) | 120,573 | | |
| Net unrealized gains and losses on securities | 2,779 | 1,879 | | |
| Net gains and losses on derivative instruments | (65) | (1,569) | | |
| Pension liability adjustments | (5,529) | (50,765) | | |
| | (6,799) | 70,118 | | |
| Comprehensive income | 66,502 | 142,433 | - | 53.3 |
| Less: Comprehensive income attributable to noncontrolling interests | 3,420 | 3,127 | | |
| Comprehensive income attributable to Canon Inc. | ¥ 63,082 | ¥ 139,306 | - | 54.7 |

Results for the fiscal year

| | Millions of yen | | Change(%) | |
|---|---------------------------------|---------------------------------|-----------|------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | | |
| Consolidated net income | ¥ 231,333 | ¥ 265,239 | - | 12.8 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | (55,504) | 143,834 | | |
| Net unrealized gains and losses on securities | 2,010 | 2,524 | | |
| Net gains and losses on derivative instruments | 2,785 | (195) | | |
| Pension liability adjustments | (6,543) | (37,985) | | |
| | (57,252) | 108,178 | | |
| Comprehensive income | 174,081 | 373,417 | - | 53.4 |
| Less: Comprehensive income attributable to noncontrolling interests | 11,973 | 9,666 | | |
| Comprehensive income attributable to Canon Inc. | ¥ 162,108 | ¥ 363,751 | - | 55.4 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|--|--|-----------|
| | Three months ended December 31, 2015 | Three months ended December 31, 2014 | |
| Office | ¥ 534,007 | ¥ 564,813 | - 5.5 |
| Imaging System | 366,183 | 402,165 | - 8.9 |
| Industry and Others | 166,211 | 116,695 | + 42.4 |
| Eliminations | (23,763) | (23,737) | - |
| Total | ¥ 1,042,638 | ¥ 1,059,936 | - 1.6 |

| Sales by region | Millions of yen | | Change(%) |
|------------------|--|---|-----------|
| | Three months ended December 31, 2015 | Three months ended December 31, 2014 | |
| Japan | ¥ 203,737 | ¥ 207,754 | - 1.9 |
| Overseas: | | | |
| Americas | 311,596 | 309,855 | + 0.6 |
| Europe | 300,727 | 312,375 | - 3.7 |
| Asia and Oceania | 226,578 | 229,952 | - 1.5 |
| | 838,901 | 852,182 | - 1.6 |
| Total | ¥ 1,042,638 | ¥ 1,059,936 | - 1.6 |

Results for the fiscal year

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|------------------------------------|------------------------------------|-----------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | |
| Office | ¥ 2,110,816 | ¥ 2,078,732 | + 1.5 |
| Imaging System | 1,263,835 | 1,343,194 | - 5.9 |
| Industry and Others | 524,651 | 398,765 | + 31.6 |
| Eliminations | (99,031) | (93,439) | - |
| Total | ¥ 3,800,271 | ¥ 3,727,252 | + 2.0 |

Millions of yen

| Sales by region | Year ended December 31, 2015 | Year ended December 31, 2014 | Change(%) | |
|-------------------------|---|------------------------------------|-----------|------|
| Japan | ¥ 714,280 | ¥ 724,317 | - | 1.4 |
| Overseas: | | | | |
| <i>Americas</i> | 1,144,422 | 1,036,500 | + | 10.4 |
| <i>Europe</i> | 1,074,366 | 1,090,484 | - | 1.5 |
| <i>Asia and Oceania</i> | 867,203 | 875,951 | - | 1.0 |
| | 3,085,991 | 3,002,935 | + | 2.8 |
| Total | ¥3,800,271 | ¥ 3,727,252 | + | 2.0 |

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

Office Business Unit:

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

Imaging System Business Unit:

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

Industry and Others Business Unit:

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

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

Americas: United States of America, Canada, Latin America

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

Asia and Oceania: China, Asian countries, Australia

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF EQUITY

Millions of yen

| | Common Stock | Additional paid-in capital | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Total Canon Inc. shareholders equity | Noncontrolling interests | Total |
|--|-----------------|----------------------------------|------------------|----------------------|---|-------------------|---|-----------------------------|-------|
| at er 31, | ¥ 174,762 | ¥ 402,029 | ¥ 63,091 | ¥ 3,212,692 | ¥ (80,646) | ¥ (861,666) | ¥ 2,910,262 | ¥ 156,515 | ¥ 3, |
| ons | | | | | | | | | |
| rolling and | | (420) | | 216 | (22) | | (226) | (658) | |
| ds to nc. ders ds to rolling | | | | (145,790) | | | (145,790) | | (|
| s to erve | | | 1,508 | (1,508) | | | - | (2,949) | |
| ensive | | | | | | | | | |
| me | | | | 254,797 | | | 254,797 | 10,442 | 1 |
| ensive (loss), x: | | | | | | | | | |
| on | | | | | | | | | |
| ents alized d losses ities | | | | | 142,813 | | 142,813 | 1,021 | |
| | | | | | 2,301 | | 2,301 | 223 | |

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| | | | | | | | | | |
|-----------|-----------|-----------|----------|-------------|----------|---------------|-------------|-----------|----------|
| s and | | | | | | | | | |
| n | | | | | | | | | |
| e | | | | | | | | | |
| nts | | | | | (195) | | (195) | | - |
| liability | | | | | | | | | |
| nts | | | | | (35,965) | | (35,965) | | (2,020) |
| ensive | | | | | | | | | |
| | | | | | | | | | |
| ases | | (46) | | (15) | | (149,752) | (149,813) | | |
| suance | | | | | | | | | |
| ry stock | | | | | | | | | |
| at | | | | | | | | | |
| er 31, | ¥ 174,762 | ¥ 401,563 | ¥ 64,599 | ¥ 3,320,392 | ¥ 28,286 | ¥ (1,011,418) | ¥ 2,978,184 | ¥ 162,574 | ¥ 3, |
| ions | | | | | | | | | |
| rolling | | | | | | | | | |
| s and | | (29) | | | 73 | | 44 | | (29,627) |
| ds to | | | | | | | | | |
| nc. | | | | | | | | | |
| lders | | | | (174,711) | | | (174,711) | | |
| ds to | | | | | | | | | |
| rolling | | | | | | | | | |
| s | | | | | | | | | (3,958) |
| tion of | | | | | | | | | |
| ries | | | | | | | | | 77,086 |
| rs to | | | | | | | | | |
| serve | | | 690 | (690) | | | - | | |
| ensive | | | | | | | | | |
| me | | | | 220,209 | | | 220,209 | | 11,124 |
| ensive | | | | | | | | | |
| (loss), | | | | | | | | | |
| x: | | | | | | | | | |
| y | | | | | | | | | |
| ion | | | | | | | | | |
| nts | | | | | (57,592) | | (57,592) | | 2,088 |
| realized | | | | | | | | | |
| nd losses | | | | | | | | | |
| ities | | | | | 1,509 | | 1,509 | | 501 |
| s and | | | | | 2,785 | | 2,785 | | - |
| n | | | | | | | | | |

ve
ents

ents

hensive

nases
suance
ury

at
er 31,

(4,803)

(4,803)

(1,740)

162,108

11,973

(176)

(42)

1,008

790

¥ 174,762

¥ 401,358

¥ 65,289

¥ 3,365,158

¥ (29,742)

¥ (1,010,410)

¥ 2,966,415

¥ 218,048

¥ 3,

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 |
| Cash flows from operating activities: | | |
| Consolidated net income | ¥ 231,333 | ¥ 265,239 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 273,327 | 263,480 |
| Loss on disposal of fixed assets | 7,975 | 12,429 |
| Deferred income taxes | 4,672 | 8,929 |
| Decrease in trade receivables | 22,720 | 9,323 |
| Decrease in inventories | 14,249 | 59,004 |
| Decrease in trade payables | (17,288) | (24,620) |
| Increase (decrease) in accrued income taxes | (8,731) | 3,586 |
| Increase (decrease) in accrued expenses | (25,529) | 11,124 |
| Increase (decrease) in accrued (prepaid) pension and severance cost | 4,622 | (6,305) |
| Other, net | (32,626) | (18,262) |
| Net cash provided by operating activities | 474,724 | 583,927 |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (252,948) | (218,362) |
| Proceeds from sale of fixed assets | 3,824 | 3,994 |
| Purchases of available-for-sale securities | (98) | (311) |
| Proceeds from sale and maturity of available-for-sale securities | 804 | 2,606 |
| (Increase) decrease in time deposits, net | 47,665 | (14,223) |
| Acquisitions of businesses, net of cash acquired | (251,534) | (54,772) |
| Purchases of other investments | (1,220) | - |
| Other, net | (112) | 11,770 |
| Net cash used in investing activities | (453,619) | (269,298) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 717 | 1,377 |
| Repayments of long-term debt | (1,350) | (2,152) |
| Decrease in short-term loans, net | - | (54) |
| Purchases of noncontrolling interests | (29,570) | - |
| Dividends paid | (174,711) | (145,790) |
| Repurchases and reissuance of treasury stock | 790 | (149,813) |
| Other, net | (6,078) | (4,454) |
| Net cash used in financing activities | (210,202) | (300,886) |
| Effect of exchange rate changes on cash and cash equivalents | (21,870) | 41,928 |

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| | | | |
|--|------------------|---|---------|
| Net change in cash and cash equivalents | (210,967) | | 55,671 |
| Cash and cash equivalents at beginning of year | 844,580 | | 788,909 |
| Cash and cash equivalents at end of year | ¥ 633,613 | ¥ | 844,580 |

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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(%) | |
|-----------------------------|---|---|-----------|------|
| | Three months ended December 31, 2015 | Three months ended December 31, 2014 | | |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 533,366 | ¥ 564,349 | - | 5.5 |
| Intersegment | 641 | 464 | + | 38.1 |
| Total | 534,007 | 564,813 | - | 5.5 |
| Operating cost and expenses | 461,764 | 491,224 | - | 6.0 |
| Operating profit | ¥ 72,243 | ¥ 73,589 | - | 1.8 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 365,944 | ¥ 401,958 | - | 9.0 |
| Intersegment | 239 | 207 | + | 15.5 |
| Total | 366,183 | 402,165 | - | 8.9 |
| Operating cost and expenses | 304,057 | 343,898 | - | 11.6 |
| Operating profit | ¥ 62,126 | ¥ 58,267 | + | 6.6 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 143,328 | ¥ 93,629 | + | 53.1 |
| Intersegment | 22,883 | 23,066 | - | 0.8 |
| Total | 166,211 | 116,695 | + | 42.4 |
| Operating cost and expenses | 168,995 | 123,436 | + | 36.9 |

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| | | | | | |
|-----------------------------------|---|-----------|---|-----------|-------|
| Operating profit | ¥ | (2,784) | ¥ | (6,741) | - |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ | - | ¥ | - | - |
| Intersegment | | (23,763) | | (23,737) | - |
| Total | | (23,763) | | (23,737) | - |
| Operating cost and expenses | | 780 | | 2,909 | - |
| Operating profit | ¥ | (24,543) | ¥ | (26,646) | - |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ | 1,042,638 | ¥ | 1,059,936 | - 1.6 |
| Intersegment | | - | | - | - |
| Total | | 1,042,638 | | 1,059,936 | - 1.6 |
| Operating cost and expenses | | 935,596 | | 961,467 | - 2.7 |
| Operating profit | ¥ | 107,042 | ¥ | 98,469 | + 8.7 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

| | Millions of yen | | Change(%) | |
|-------------------------------|---------------------------------|---------------------------------|-----------|------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 | | |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 2,108,246 | ¥ 2,075,788 | + | 1.6 |
| Intersegment | 2,570 | 2,944 | - | 12.7 |
| Total | 2,110,816 | 2,078,732 | + | 1.5 |
| Operating cost and expenses | 1,820,230 | 1,786,675 | + | 1.9 |
| Operating profit | 290,586 | 292,057 | - | 0.5 |
| Total assets | 1,020,758 | 1,025,499 | - | 0.5 |
| Depreciation and amortization | 86,206 | 87,058 | - | 1.0 |
| Capital expenditures | ¥ 73,819 | ¥ 69,704 | + | 5.9 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,262,667 | ¥ 1,342,501 | - | 5.9 |
| Intersegment | 1,168 | 693 | + | 68.5 |
| Total | 1,263,835 | 1,343,194 | - | 5.9 |
| Operating cost and expenses | 1,080,396 | 1,148,593 | - | 5.9 |
| Operating profit | 183,439 | 194,601 | - | 5.7 |
| Total assets | 452,283 | 517,524 | - | 12.6 |
| Depreciation and amortization | 52,070 | 53,912 | - | 3.4 |
| Capital expenditures | ¥ 38,337 | ¥ 31,124 | + | 23.2 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 429,358 | ¥ 308,963 | + | 39.0 |
| Intersegment | 95,293 | 89,802 | + | 6.1 |
| Total | 524,651 | 398,765 | + | 31.6 |
| Operating cost and expenses | 537,730 | 420,566 | + | 27.9 |

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| | | | | | |
|-------------------------------|----------|---|----------|---|------|
| Operating profit | (13,079) | | (21,801) | | - |
| Total assets | 332,252 | | 342,695 | - | 3.0 |
| Depreciation and amortization | 45,064 | | 37,544 | + | 20.0 |
| Capital expenditures | ¥ 24,241 | ¥ | 15,976 | + | 51.7 |

Corporate and Eliminations

| | | | | | |
|-------------------------------|-----------|---|-----------|---|-----|
| Net sales: | | | | | |
| External customers | ¥ - | ¥ | - | | - |
| Intersegment | (99,031) | | (93,439) | | - |
| Total | (99,031) | | (93,439) | | - |
| Operating cost and expenses | 6,705 | | 7,929 | | - |
| Operating profit | (105,736) | | (101,368) | | - |
| Total assets | 2,622,480 | | 2,574,900 | + | 1.8 |
| Depreciation and amortization | 89,987 | | 84,966 | + | 5.9 |
| Capital expenditures | ¥ 106,733 | ¥ | 107,956 | - | 1.1 |

Consolidated

| | | | | | |
|-------------------------------|-------------|---|-----------|---|-----|
| Net sales: | | | | | |
| External customers | ¥ 3,800,271 | ¥ | 3,727,252 | + | 2.0 |
| Intersegment | - | | - | | - |
| Total | 3,800,271 | | 3,727,252 | + | 2.0 |
| Operating cost and expenses | 3,445,061 | | 3,363,763 | + | 2.4 |
| Operating profit | 355,210 | | 363,489 | - | 2.3 |
| Total assets | 4,427,773 | | 4,460,618 | - | 0.7 |
| Depreciation and amortization | 273,327 | | 263,480 | + | 3.7 |
| Capital expenditures | ¥ 243,130 | ¥ | 224,760 | + | 8.2 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

Results for the fourth quarter

| | Millions of yen | | | |
|-----------------------------|---|---|---|-----------|
| | Three months ended December 31, 2015 | Three months ended December 31, 2014 | | Change(%) |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 254,629 | ¥ 232,313 | + | 9.6 |
| Intersegment | 411,937 | 472,681 | - | 12.9 |
| Total | 666,566 | 704,994 | - | 5.5 |
| Operating cost and expenses | 584,817 | 614,103 | - | 4.8 |
| Operating profit | ¥ 81,749 | ¥ 90,891 | - | 10.1 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 310,466 | ¥ 308,536 | + | 0.6 |
| Intersegment | 5,717 | 3,541 | + | 61.5 |
| Total | 316,183 | 312,077 | + | 1.3 |
| Operating cost and expenses | 305,167 | 303,655 | + | 0.5 |
| Operating profit | ¥ 11,016 | ¥ 8,422 | + | 30.8 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 301,590 | ¥ 311,270 | - | 3.1 |
| Intersegment | 28,869 | 18,591 | + | 55.3 |
| Total | 330,459 | 329,861 | + | 0.2 |
| Operating cost and expenses | 324,958 | 320,771 | + | 1.3 |
| Operating profit | ¥ 5,501 | ¥ 9,090 | - | 39.5 |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 175,953 | ¥ 207,817 | - | 15.3 |

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| | | | | | | |
|-----------------------------------|---|------------------|---|-----------|---|------|
| Intersegment | | 198,596 | | 220,317 | - | 9.9 |
| Total | | 374,549 | | 428,134 | - | 12.5 |
| Operating cost and expenses | | 365,632 | | 416,437 | - | 12.2 |
| Operating profit | ¥ | 8,917 | ¥ | 11,697 | - | 23.8 |
| Corporate and Eliminations | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | - | ¥ | - | - | - |
| Intersegment | | (645,119) | | (715,130) | - | - |
| Total | | (645,119) | | (715,130) | - | - |
| Operating cost and expenses | | (644,978) | | (693,499) | - | - |
| Operating profit | ¥ | (141) | ¥ | (21,631) | - | - |
| Consolidated | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 1,042,638 | ¥ | 1,059,936 | - | 1.6 |
| Intersegment | | - | | - | - | - |
| Total | | 1,042,638 | | 1,059,936 | - | 1.6 |
| Operating cost and expenses | | 935,596 | | 961,467 | - | 2.7 |
| Operating profit | ¥ | 107,042 | ¥ | 98,469 | + | 8.7 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

| | Millions of yen | | | Change(%) | |
|-----------------------------|-------------------|-------------------|---|-----------|--|
| | Year ended | | | | |
| | December 31, 2015 | December 31, 2014 | | | |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 847,669 | ¥ 836,801 | + | 1.3 | |
| Intersegment | 1,765,840 | 1,752,378 | + | 0.8 | |
| Total | 2,613,509 | 2,589,179 | + | 0.9 | |
| Operating cost and expenses | 2,285,780 | 2,245,930 | + | 1.8 | |
| Operating profit | 327,729 | 343,249 | - | 4.5 | |
| Total assets | ¥ 969,805 | ¥ 1,134,484 | - | 14.5 | |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,138,830 | ¥ 1,033,797 | + | 10.2 | |
| Intersegment | 21,069 | 8,738 | + | 141.1 | |
| Total | 1,159,899 | 1,042,535 | + | 11.3 | |
| Operating cost and expenses | 1,130,099 | 1,018,661 | + | 10.9 | |
| Operating profit | 29,800 | 23,874 | + | 24.8 | |
| Total assets | ¥ 544,395 | ¥ 531,122 | + | 2.5 | |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,077,033 | ¥ 1,088,293 | - | 1.0 | |
| Intersegment | 106,675 | 59,493 | + | 79.3 | |
| Total | 1,183,708 | 1,147,786 | + | 3.1 | |
| Operating cost and expenses | 1,165,218 | 1,135,515 | + | 2.6 | |
| Operating profit | 18,490 | 12,271 | + | 50.7 | |
| Total assets | ¥ 409,357 | ¥ 484,858 | - | 15.6 | |

Asia and Oceania

Net sales:

| | | | | | | |
|-----------------------------|---|------------------|---|-----------|---|------|
| External customers | ¥ | 736,739 | ¥ | 768,361 | - | 4.1 |
| Intersegment | | 911,395 | | 821,600 | + | 10.9 |
| Total | | 1,648,134 | | 1,589,961 | + | 3.7 |
| Operating cost and expenses | | 1,582,113 | | 1,522,244 | + | 3.9 |
| Operating profit | | 66,021 | | 67,717 | - | 2.5 |
| Total assets | ¥ | 620,090 | ¥ | 674,672 | - | 8.1 |

Corporate and Eliminations

Net sales:

| | | | | | | |
|-----------------------------|---|--------------------|---|-------------|---|---|
| External customers | ¥ | - | ¥ | - | - | - |
| Intersegment | | (2,804,979) | | (2,642,209) | | - |
| Total | | (2,804,979) | | (2,642,209) | | - |
| Operating cost and expenses | | (2,718,149) | | (2,558,587) | | - |
| Operating profit | | (86,830) | | (83,622) | | - |
| Total assets | ¥ | 1,884,126 | ¥ | 1,635,482 | | - |

Consolidated

Net sales:

| | | | | | | |
|-----------------------------|---|------------------|---|-----------|---|-----|
| External customers | ¥ | 3,800,271 | ¥ | 3,727,252 | + | 2.0 |
| Intersegment | | - | | - | | - |
| Total | | 3,800,271 | | 3,727,252 | + | 2.0 |
| Operating cost and expenses | | 3,445,061 | | 3,363,763 | + | 2.4 |
| Operating profit | | 355,210 | | 363,489 | - | 2.3 |
| Total assets | ¥ | 4,427,773 | ¥ | 4,460,618 | - | 0.7 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | December 31, 2015 | December 31, 2014 | Change |
|--------------|-------------------|-------------------|--------|
| Subsidiaries | 317 | 261 | 56 |
| Affiliates | 5 | 7 | (2) |
| Total | 322 | 268 | 54 |

2. Change in Group Entities

| | |
|--------------|--------------|
| Subsidiaries | |
| Addition: | 61 companies |
| Removal: | 5 companies |

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

3. Subsidiaries Listed on Domestic Stock Exchange

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

(2) SIGNIFICANT ACCOUNTING POLICIES

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| Results for the fiscal year | Millions of yen | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2015 | Year ended December 31, 2014 |
| Net income attributable to Canon Inc. | | |
| -Basic | ¥ 220,209 | ¥ 254,797 |
| -Diluted | 220,209 | 254,797 |
| | Number of shares | |
| Average common shares outstanding | | |
| -Basic | 1,092,017,955 | 1,112,509,931 |
| -Diluted | 1,092,052,886 | 1,112,514,324 |
| | Yen | |
| Net income attributable to Canon Inc. shareholders per share: | | |
| -Basic | ¥ 201.65 | ¥ 229.03 |
| -Diluted | 201.65 | 229.03 |

(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 **As of**
December 31, 2015 **December 31, 2014**

ASSETS

Current assets:

| | | |
|---|------------------|--------------------|
| Cash | ¥ 100,836 | ¥ 34,362 |
| Trade receivables | 450,449 | 596,293 |
| Marketable securities | 18,070 | 54,740 |
| Inventories | 148,485 | 151,272 |
| Prepaid expenses and other current assets | 154,575 | 187,930 |
| Allowance for doubtful receivables | (1) | (86) |

| | | |
|----------------------|----------------|-----------|
| Total current assets | 872,414 | 1,024,511 |
|----------------------|----------------|-----------|

Fixed assets:

| | | |
|---|----------------|---------|
| Net property, plant and equipment | 659,258 | 666,588 |
| Intangibles | 25,578 | 31,152 |
| Investments and other fixed assets | 880,769 | 593,502 |
| Allowance for doubtful receivables-noncurrent | (95) | (73) |

| | | |
|--------------------|------------------|-----------|
| Total fixed assets | 1,565,510 | 1,291,169 |
|--------------------|------------------|-----------|

| | | |
|--------------|--------------------|-----------------------|
| Total assets | ¥ 2,437,924 | ¥ 2,315,680 |
|--------------|--------------------|-----------------------|

LIABILITIES AND NET ASSETS

Current liabilities:

| | | |
|----------------|------------------|---------------------|
| Trade payables | ¥ 301,792 | ¥ 291,693 |
|----------------|------------------|---------------------|

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| | | |
|--|--------------------|-------------|
| Short-term loans | 461,686 | 365,441 |
| Accrued income taxes | 22,805 | 32,028 |
| Accrued warranty expenses | 3,920 | 2,622 |
| Accrued bonuses for employees | 4,606 | 4,476 |
| Accrued bonuses for directors | 144 | 199 |
| Other current liabilities | 108,269 | 132,163 |
| | | |
| Total current liabilities | 903,222 | 828,622 |
| | | |
| Noncurrent liabilities: | | |
| Accrued pension and severance cost | 45,985 | 34,690 |
| Reserve for environmental provision | 1,618 | 2,075 |
| Accrued long service rewards for employees | 1,449 | 1,304 |
| Other noncurrent liabilities | 1,493 | 1,667 |
| | | |
| Total noncurrent liabilities | 50,545 | 39,736 |
| | | |
| Total liabilities | 953,767 | 868,358 |
| | | |
| Net assets: | | |
| Shareholders' equity | 1,473,935 | 1,438,668 |
| Valuation and translation adjustments | 9,091 | 7,101 |
| Subscription rights to shares | 1,131 | 1,553 |
| | | |
| Total net assets | 1,484,157 | 1,447,322 |
| | | |
| Total liabilities and net assets | ¥ 2,437,924 | ¥ 2,315,680 |

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED STATEMENTS OF INCOME

(Parent company only)

Millions of yen

| | Year ended December 31, 2015 | Year ended December 31, 2014 |
|--|---|---------------------------------|
| Net sales | ¥ 2,091,139 | ¥ 2,084,200 |
| Cost of sales | 1,461,270 | 1,441,204 |
| Gross profit | 629,869 | 642,996 |
| Selling, general and administrative expenses | 460,631 | 438,059 |
| Operating profit | 169,238 | 204,937 |
| Other income (deductions): | | |
| Interest and dividend income | 103,788 | 36,837 |
| Interest expense | (2,124) | (1,687) |
| Other, net | (1,084) | 9,261 |
| | 100,580 | 44,411 |
| Ordinary profit | 269,818 | 249,348 |
| Non-ordinary gain (loss), net | (2,447) | (7,326) |
| Income before income taxes | 267,371 | 242,022 |
| Income taxes | 55,408 | 66,551 |
| Net income | ¥ 211,963 | ¥ 175,471 |

CANON INC.

NON-CONSOLIDATED

12. NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Parent company only)

Year ended December 31, 2015

(Millions of yen)

| Shareholders' equity | | | | | | Valuation and translation adjustments | | | |
|----------------------|----------------------------------|--|------------------|-----------------------------------|----------------|---------------------------------------|---|---------------------------------------|-----------|
| Retained earnings | | | | | | Total shareholders' equity | Net unrealized gains (losses) on securities | Net deferred profit (losses) on hedge | |
| Legal reserve | Reserve for special depreciation | Reserve for deferral of capital gain on property | Special reserves | Retained earnings brought forward | Treasury stock | | | | |
| 2,288 | ¥ 22,114 | ¥ 341 | ¥ 3,693 | ¥ 1,249,928 | ¥ 692,960 | ¥ (1,011,418) | ¥ 1,438,668 | ¥ 7,780 | ¥ (6,000) |
| | | | | | (2,951) | | (2,951) | | |

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,288 ¥ 22,114 ¥ 341 ¥ 3,693 ¥ 1,249,928 ¥ 690,009 ¥ (1,011,418) ¥ 1,435,717 ¥ 7,780 ¥ (6

| | | | |
|-------|-------|-----------|-----------|
| | | | - |
| (174) | | 174 | - |
| | 157 | (157) | - |
| | (123) | 123 | - |
| | | (174,711) | (174,711) |
| | | 211,963 | 211,963 |
| | | | (39) |
| | | | (39) |

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| | | | | | | | | | | | | | | |
|------|----------|-------|-----|---|--------|-------------|-----------|---------------|---|-----------|---|-------|---|---|
| | | | | | | (42) | 1,047 | 1,005 | | | | | | |
| | | | | | | | | | - | 1,071 | | | | |
| | | | | | | | | | | | | | | |
| - | - | (174) | 34 | - | 37,350 | 1,008 | 38,218 | 1,071 | | | | | | |
| ,288 | ¥ 22,114 | ¥ | 167 | ¥ | 3,727 | ¥ 1,249,928 | ¥ 727,359 | ¥ (1,010,410) | ¥ | 1,473,935 | ¥ | 8,851 | ¥ | 2 |

CANON INC.

NON-CONSOLIDATED

Year ended December 31, 2014

(Millions of yen)

Shareholders' equity

Valuation and translation adjustments

Retained earnings

Other retained earnings

Treasury stock

Total shareholders' equity

Net unrealized gains (losses) on securities

Net defined pension (loss) on h

Legal reserve

Reserve for special depreciation

Reserve for deferral of capital gain on property

Special reserves

Retained earnings brought forward

88 ¥ 22,114 ¥ 294 ¥ 3,369 ¥ 1,249,928 ¥ 663,665 ¥ (861,666) ¥ 1,558,754 ¥ 7,239 ¥ (

148

(148)

-

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(101) 101 -

443 (443) -

(119) 119 -

(145,790) (145,790)

175,471 175,471

(150,039) (150,039)

(15) 287 272

- 541

- - 47 324 - 29,295 (149,752) (120,086)

88 ¥ 22,114 ¥ 341 ¥ 3,693 ¥ 1,249,928 ¥ 692,960 ¥ (1,011,418) ¥ 1,438,668 ¥ 7,780 ¥

CANON INC.

NON-CONSOLIDATED

13. NOTE FOR GOING CONCERN ASSUMPTION

(Parent company only)

Not applicable.

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Executives of Canon Inc.

NON-CONSOLIDATED

As of March 30, 2016

| Directors | Position | Name | Current Position |
|--|----------|---------------------|---|
| Representative director | | Fujio Mitarai | Representative director |
| Chairman & CEO | | | Chairman (President) & CEO |
| Representative director | | Masaya Maeda | Senior Managing Director |
| President & COO | | | Chief Executive, Image Communication Products Operations |
| | | | Representative director |
| | | | Executive Vice President & CFO |
| Representative director | | Toshizo Tanaka | Group Executive, Finance & Accounting Headquarters |
| Executive Vice President & CFO | | | Group Executive, Facilities Management Headquarters |
| | | | Group Executive, Human Resources Management & Organization Headquarters |
| Representative director | | Shigeyuki Matsumoto | Senior Managing Director |
| Senior Managing Director & CTO | | | Group Executive, R&D Headquarters |
| Director (Outside) | | Kunitaro Saida | Same as on the left |
| Director (Outside) | | Haruhiko Kato | Same as on the left |
| Audit & Supervisory Board Members | | | |
| | Position | Name | Current Position |
| Audit & Supervisory Board Member | | Makoto Araki | Same as on the left |
| Audit & Supervisory Board Member | | Kazuto Ono | Same as on the left |
| Audit & Supervisory Board Member (Outside) | | Tadashi Ohe | Same as on the left |
| Audit & Supervisory Board Member (Outside) | | Osami Yoshida | Same as on the left |
| Audit & Supervisory Board Member (Outside) | | Kuniyoshi Kitamura | Same as on the left |
| Executive Officers | | | |
| | Position | Name | Current Position |
| Executive Vice President | | Yoroku Adachi | Senior Managing Director |
| | | | Chairman & CEO, Canon U.S.A., Inc. |

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| | | |
|-----------------------------------|-------------------|---|
| Executive Vice President | Toshio Homma | Senior Managing Director |
| Senior Managing Executive Officer | Hideki Ozawa | Group Executive, Procurement Headquarters Senior Managing Director |
| Senior Managing Executive Officer | Seymour Liebman | President & CEO, Canon (China) Co., Ltd. Managing Executive Officer |
| Senior Managing Executive Officer | Rokus van Iperen | Executive Vice President, Canon U.S.A., Inc. Managing Executive Officer |
| Managing Executive Officer | Yasuhiro Tani | President & CEO, Canon Europa N.V. / President & CEO, Canon Europe Ltd. Managing Director |
| Managing Executive Officer | Kenichi Nagasawa | Group Executive, Digital System Technology Development Headquarters Director |
| Managing Executive Officer | Naoji Otsuka | Group Executive, Corporate Intellectual Property & Legal Headquarters Director |
| Managing Executive Officer | Hiroyuki Suematsu | Chief Executive, Inkjet Products Operations Managing Executive Officer |
| Managing Executive Officer | Shigeyuki Uzawa | Group Executive, Quality Management Headquarters Managing Executive Officer |
| Managing Executive Officer | Masanori Yamada | Chief Executive, Optical Products Operations Director |
| Managing Executive Officer | Aitake Wakiya | Group Executive, Network Visual Solution Business Promotion Headquarters Director |
| Managing Executive Officer | Akiyoshi Kimura | Deputy Group Executive, Finance & Accounting Headquarters Director |
| Managing Executive Officer | Eiji Osanai | Chief Executive, Office Imaging Products Operations Director |
| Managing Executive Officer | Masaaki Nakamura | Group Executive, Production Engineering Headquarters Director |
| Managing Executive Officer | Akio Noguchi | Deputy Group Executive, Human Resources Management & Organization Headquarters Managing Executive Officer |

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| | | |
|----------------------------|--------------------|--|
| Managing Executive Officer | Ryuichi Ebinuma | Group Executive, Mixed Reality Solution Business Promotion Headquarters Executive Officer |
| Managing Executive Officer | Yuichi Ishizuka | Deputy Group Executive, R&D Headquarters Managing Executive Officer |
| Managing Executive Officer | Kazuto Ogawa | President & COO, Canon U.S.A., Inc. Executive Officer |
| Executive Officer | Shunsuke Inoue | Executive Vice President, Canon (China) Co., Ltd. Executive Officer |
| Executive Officer | Takayuki Miyamoto | Group Executive, Device Technology Development Headquarters Executive Officer |
| Executive Officer | Katsumi Iijima | Chief Executive, Peripheral Products Operations Executive Officer |
| Executive Officer | Soichi Hiramatsu | Group Executive, Information & Communication Systems Headquarters Executive Officer |
| Executive Officer | Kazuhiko Noguchi | Deputy Group Executive, Procurement Headquarters Executive Officer |
| Executive Officer | Masato Okada | Group Executive, Public Affairs Headquarters Executive Officer |
| Executive Officer | Nobutoshi Mizusawa | Deputy Chief Executive, Image Communication Products Operations Executive Officer |
| Executive Officer | Yoichi Iwabuchi | Deputy Group Executive, R&D Headquarters Executive Officer |
| Executive Officer | Yoichi Iwabuchi | Deputy Group Executive, Digital System Technology Development Headquarters Executive Officer |
| Executive Officer | Hiroaki Takeishi | Deputy Group Executive, Digital System Technology Development Headquarters Executive Officer |
| Executive Officer | Takashi Takeya | Group Executive, Semiconductor Production Equipment Group Executive Officer |
| Executive Officer | Takashi Takeya | Senior General Manager, Global Logistics Management Center Executive Officer |
| Executive Officer | Nobuyuki Tainaka | Senior General Manager, Global Legal Administration Center |

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| | | Executive Officer |
|-------------------------------------|--------------------|---|
| Executive Officer | Takanobu Nakamasu | Group Executive, Corporate Planning Development Headquarters Executive Officer |
| Executive Officer | Toshihiko Kusumoto | Deputy Chief Executive, Office Imaging Products Operations Executive Officer |
| Executive Officer | Akiko Tanaka | President & CEO, Canon BioMedical, Inc.. Group Executive, ICP Group 2 |
| Executive Officer (New appointment) | Go Tokura | Image Communication Products Operations |
| Executive Officer (New appointment) | Ritsuo Mashiko | President, Oita Canon Inc. |
| Executive Officer (New appointment) | Hisahiro Minokawa | President & CEO, Canon Hongkong Co., Ltd. |
| Executive Officer (New appointment) | Noriko Gunji | Executive Vice President, Canon Hongkong Co., Ltd. |

January 27, 2016

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER

AND THE FISCAL YEAR ENDED DECEMBER 31, 2015

SUPPLEMENTARY REPORT

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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, 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.

| | 2015 | | 2014 | | (Millions of yen) Change year over year | |
|---|-------------|-----------|-------------|-----------|--|---------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| 1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2015) | | | | | | |
| Japan | | | | | | |
| Office | 98,804 | 379,277 | 97,336 | 380,594 | +1.5% | -0.3% |
| Imaging System | 66,958 | 198,739 | 70,815 | 207,281 | -5.4% | -4.1% |
| Industry and Others | 37,975 | 136,264 | 39,603 | 136,442 | -4.1% | -0.1% |
| Total | 203,737 | 714,280 | 207,754 | 724,317 | -1.9% | -1.4% |
| Overseas | | | | | | |
| Office | 434,562 | 1,728,969 | 467,013 | 1,695,194 | -6.9% | +2.0% |
| Imaging System | 298,986 | 1,063,928 | 331,143 | 1,135,220 | -9.7% | -6.3% |
| Industry and Others | 105,353 | 293,094 | 54,026 | 172,521 | +95.0% | +69.9% |
| Total | 838,901 | 3,085,991 | 852,182 | 3,002,935 | -1.6% | +2.8% |
| Americas | | | | | | |
| Office | 175,923 | 713,197 | 183,816 | 656,783 | -4.3% | +8.6% |
| Imaging System | 110,869 | 352,946 | 113,156 | 345,707 | -2.0% | +2.1% |
| Industry and Others | 24,804 | 78,279 | 12,883 | 34,010 | +92.5% | +130.2% |
| Total | 311,596 | 1,144,422 | 309,855 | 1,036,500 | +0.6% | +10.4% |
| Europe | | | | | | |
| Office | 185,623 | 680,619 | 191,573 | 689,275 | -3.1% | -1.3% |
| Imaging System | 95,593 | 335,312 | 109,440 | 367,050 | -12.7% | -8.6% |
| Industry and Others | 19,511 | 58,435 | 11,362 | 34,159 | +71.7% | +71.1% |
| Total | 300,727 | 1,074,366 | 312,375 | 1,090,484 | -3.7% | -1.5% |
| Asia and Oceania | | | | | | |
| Office | 73,016 | 335,153 | 91,624 | 349,136 | -20.3% | -4.0% |
| Imaging System | 92,524 | 375,670 | 108,547 | 422,463 | -14.8% | -11.1% |
| Industry and Others | 61,038 | 156,380 | 29,781 | 104,352 | +105.0% | +49.9% |
| Total | 226,578 | 867,203 | 229,952 | 875,951 | -1.5% | -1.0% |
| Intersegment | | | | | | |
| Office | 641 | 2,570 | 464 | 2,944 | +38.1% | -12.7% |
| Imaging System | 239 | 1,168 | 207 | 693 | +15.5% | +68.5% |
| Industry and Others | 22,883 | 95,293 | 23,066 | 89,802 | -0.8% | +6.1% |
| Eliminations | (23,763) | (99,031) | (23,737) | (93,439) | - | - |
| Total | 0 | 0 | 0 | 0 | - | - |
| Total | | | | | | |
| Office | 534,007 | 2,110,816 | 564,813 | 2,078,732 | -5.5% | +1.5% |
| Imaging System | 366,183 | 1,263,835 | 402,165 | 1,343,194 | -8.9% | -5.9% |
| Industry and Others | 166,211 | 524,651 | 116,695 | 398,765 | +42.4% | +31.6% |
| Eliminations | (23,763) | (99,031) | (23,737) | (93,439) | - | - |
| Total | 1,042,638 | 3,800,271 | 1,059,936 | 3,727,252 | -1.6% | +2.0% |

2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2016/Projection)**(1) Sales by business unit**

| | 2016 (P) | 2015 | (Millions of yen) Change year over year |
|---------------------|-----------|-----------|--|
| | Year | Year | Year |
| Office | 2,114,800 | 2,110,816 | +0.2% |
| Imaging System | 1,200,000 | 1,263,835 | -5.1% |
| Industry and Others | 623,600 | 524,651 | +18.9% |
| Eliminations | (88,400) | (99,031) | - |
| Total | 3,850,000 | 3,800,271 | +1.3% |

(P)=Projection

(2) Sales by region

| | 2016 (P) | 2015 | (Millions of yen) Change year over year |
|------------------|-----------|-----------|--|
| | Year | Year | Year |
| Japan | 751,700 | 714,280 | +5.2% |
| Overseas | 3,098,300 | 3,085,991 | +0.4% |
| Americas | 1,153,300 | 1,144,422 | +0.8% |
| Europe | 1,075,000 | 1,074,366 | +0.1% |
| Asia and Oceania | 870,000 | 867,203 | +0.3% |
| Total | 3,850,000 | 3,800,271 | +1.3% |

(P)=Projection

3. SEGMENT INFORMATION BY BUSINESS UNIT (2015)

| | 2015 | | 2014 | | (Millions of yen) | |
|-----------------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
| | 4th quarter | Year | 4th quarter | Year | Change year over year | |
| | | | | | 4th quarter | Year |
| Office | | | | | | |
| External customers | 533,366 | 2,108,246 | 564,349 | 2,075,788 | -5.5% | +1.6% |
| Intersegment | 641 | 2,570 | 464 | 2,944 | +38.1% | -12.7% |
| Total sales | 534,007 | 2,110,816 | 564,813 | 2,078,732 | -5.5% | +1.5% |
| Operating profit | 72,243 | 290,586 | 73,589 | 292,057 | -1.8% | -0.5% |
| % of sales | 13.5% | 13.8% | 13.0% | 14.0% | - | - |
| Imaging System | | | | | | |
| External customers | 365,944 | 1,262,667 | 401,958 | 1,342,501 | -9.0% | -5.9% |
| Intersegment | 239 | 1,168 | 207 | 693 | +15.5% | +68.5% |
| Total sales | 366,183 | 1,263,835 | 402,165 | 1,343,194 | -8.9% | -5.9% |
| Operating profit | 62,126 | 183,439 | 58,267 | 194,601 | +6.6% | -5.7% |
| % of sales | 17.0% | 14.5% | 14.5% | 14.5% | - | - |
| Industry and Others | | | | | | |
| External customers | 143,328 | 429,358 | 93,629 | 308,963 | +53.1% | +39.0% |
| Intersegment | 22,883 | 95,293 | 23,066 | 89,802 | -0.8% | +6.1% |
| Total sales | 166,211 | 524,651 | 116,695 | 398,765 | +42.4% | +31.6% |
| Operating profit | (2,784) | (13,079) | (6,741) | (21,801) | - | - |
| % of sales | -1.7% | -2.5% | -5.8% | -5.5% | - | - |
| Corporate and Eliminations | | | | | | |
| External customers | - | - | - | - | - | - |
| Intersegment | (23,763) | (99,031) | (23,737) | (93,439) | - | - |
| Total sales | (23,763) | (99,031) | (23,737) | (93,439) | - | - |
| Operating profit | (24,543) | (105,736) | (26,646) | (101,368) | - | - |
| Consolidated | | | | | | |
| External customers | 1,042,638 | 3,800,271 | 1,059,936 | 3,727,252 | -1.6% | +2.0% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 1,042,638 | 3,800,271 | 1,059,936 | 3,727,252 | -1.6% | +2.0% |
| Operating profit | 107,042 | 355,210 | 98,469 | 363,489 | +8.7% | -2.3% |
| % of sales | 10.3% | 9.3% | 9.3% | 9.8% | - | - |

4. OTHER INCOME / DEDUCTIONS (2015)

| | 2015 | | 2014 | | (Millions of yen) | |
|---|-------------|----------|-------------|--------|-----------------------|----------|
| | 4th quarter | Year | 4th quarter | Year | Change year over year | |
| | | | | | 4th quarter | Year |
| Interest and dividend, net | 1,123 | 4,917 | 2,017 | 7,406 | (894) | (2,489) |
| Forex gain (loss) | (1,009) | (22,149) | 4,599 | 2,628 | (5,608) | (24,777) |
| Equity earnings of affiliated companies | 110 | 447 | 168 | 478 | (58) | (31) |
| Other, net | 1,695 | 9,013 | 1,656 | 9,238 | +39 | (225) |
| Total | 1,919 | (7,772) | 8,440 | 19,750 | (6,521) | (27,522) |

| 5. SEGMENT INFORMATION BY BUSINESS UNIT (2016/Projection) | (Millions of yen) | | |
|---|-------------------|--------------|-------------------------------|
| | 2016 (P) Year | 2015 Year | Change year over year Year |
| Office | | | |
| External customers | 2,112,700 | 2,108,246 | +0.2% |
| Intersegment | 2,100 | 2,570 | -18.3% |
| Total sales | 2,114,800 | 2,110,816 | +0.2% |
| Operating profit | 278,800 | 290,586 | -4.1% |
| % of sales | 13.2% | 13.8% | - |
| Imaging System | | | |
| External customers | 1,198,100 | 1,262,667 | -5.1% |
| Intersegment | 1,900 | 1,168 | +62.7% |
| Total sales | 1,200,000 | 1,263,835 | -5.1% |
| Operating profit | 172,000 | 183,439 | -6.2% |
| % of sales | 14.3% | 14.5% | - |
| Industry and Others | | | |
| External customers | 539,200 | 429,358 | +25.6% |
| Intersegment | 84,400 | 95,293 | -11.4% |
| Total sales | 623,600 | 524,651 | +18.9% |
| Operating profit | 1,300 | (13,079) | - |
| % of sales | 0.2% | -2.5% | - |
| Corporate and Eliminations | | | |
| External customers | - | - | - |
| Intersegment | (88,400) | (99,031) | - |
| Total sales | (88,400) | (99,031) | - |
| Operating profit | (92,100) | (105,736) | - |
| Consolidated | | | |
| External customers | 3,850,000 | 3,800,271 | +1.3% |
| Intersegment | - | - | - |
| Total sales | 3,850,000 | 3,800,271 | +1.3% |
| Operating profit | 360,000 | 355,210 | +1.3% |
| % of sales | 9.4% | 9.3% | - |

(P)=Projection

| 6. OTHER INCOME / DEDUCTIONS (2016/Projection) | (Millions of yen) | | |
|--|-------------------|--------------|-------------------------------|
| | 2016 (P) Year | 2015 Year | Change year over year Year |
| Interest and dividend, net | (500) | 4,917 | (5,417) |
| Forex gain (loss) | (3,300) | (22,149) | +18,849 |
| Equity earnings of affiliated companies | 900 | 447 | +453 |
| Other, net | 2,900 | 9,013 | (6,113) |
| Total | 0 | (7,772) | +7,772 |

(P)=Projection

7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2016 (P) | | 2015 | | 2014 |
|----------------------------|----------|-------------|------|-------------|------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Office | | | | | |
| Monochrome copiers | 15% | 16% | 16% | 15% | 16% |
| Color copiers | 21% | 21% | 20% | 21% | 19% |
| Printers | 39% | 38% | 41% | 40% | 42% |
| Others | 25% | 25% | 23% | 24% | 23% |
| Imaging System | | | | | |
| Cameras | 60% | 60% | 62% | 63% | 64% |
| Inkjet printers | 31% | 31% | 29% | 29% | 27% |
| Others | 9% | 9% | 9% | 8% | 9% |
| Industry and Others | | | | | |
| Lithography equipment | 23% | 26% | 24% | 21% | 23% |
| Others | 77% | 74% | 76% | 79% | 77% |

(P)=Projection

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

| | 2016 (P) | | 2015 |
|----------------------------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| Office | | | |
| Japan | - | +1.5% | -0.3% |
| Overseas | - | -7.2% | -4.9% |
| Total | +1.7% | -5.7% | -4.1% |
| Imaging System | | | |
| Japan | - | -5.4% | -4.1% |
| Overseas | - | -9.9% | -11.7% |
| Total | -3.2% | -9.1% | -10.5% |
| Industry and Others | | | |
| Japan | - | -4.1% | -0.1% |
| Overseas | - | +95.1% | +67.2% |
| Total | +19.2% | +42.5% | +30.4% |
| Total | | | |
| Japan | +5.2% | -1.9% | -1.4% |
| Overseas | +2.3% | -1.8% | -3.3% |
| Americas | +1.7% | -4.7% | -2.8% |
| Europe | +3.0% | +1.8% | +0.6% |
| Asia and Oceania | +2.2% | -2.6% | -9.0% |
| Total | +2.9% | -1.8% | -3.0% |

(P)=Projection

9. PROFITABILITY

| | 2016 (P) | 2015 | 2014 |
|--------|----------|------|------|
| | Year | Year | Year |
| ROE *1 | 7.7% | 7.4% | 8.7% |
| ROA *2 | 5.1% | 5.0% | 5.9% |

(P)=Projection

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

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

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

| | 2016 (P) | 2015 | 2014 | | |
|----------|----------|-------------|--------|-------------|--------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Yen/US\$ | 120.00 | 121.60 | 121.13 | 114.78 | 106.18 |
| Yen/Euro | 130.00 | 132.81 | 134.20 | 143.41 | 140.62 |

(P)=Projection

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

| | 2016 (P) | 2015 | |
|------------------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| US\$ | (18.3) | +14.9 | +170.5 |
| Euro | (29.2) | (19.7) | (44.8) |
| Other currencies | (13.1) | (1.8) | +21.1 |
| Total | (60.6) | (6.6) | +146.8 |

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | (Billions of yen) |
|---------------------|-------------------|
| | 2016 (P) |
| | Year |
| On sales | |
| US\$ | 14.0 |
| Euro | 6.9 |
| On operating profit | |
| US\$ | 4.6 |
| Euro | 2.9 |

(P)=Projection

11. STATEMENTS OF CASH FLOWS

| | 2016 (P) | 2015 | 2014 | | |
|---|-----------|-------------|-----------|-------------|-----------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Net cash provided by operating activities | 550,000 | 143,892 | 474,724 | 185,377 | 583,927 |
| Net cash used in investing activities | (300,000) | (89,154) | (453,619) | (37,908) | (269,298) |
| Free cash flow | 250,000 | 54,738 | 21,105 | 147,469 | 314,629 |

(Millions of yen)

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| | | | | | |
|--|-----------|---------|-----------|----------|----------------|
| Net cash used in financing activities | (165,500) | (244) | (210,202) | (50,185) | (300,886) |
| Effect of exchange rate changes on cash and cash equivalents | 1,900 | (2,128) | (21,870) | 39,970 | 41,928 |
| Net change in cash and cash equivalents | 86,400 | 52,366 | (210,967) | 137,254 | 55,671 |
| Cash and cash equivalents at end of period | 720,000 | 633,613 | 633,613 | 844,580 | 844,580 |
| | | | | | (P)=Projection |

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12. R&D EXPENDITURE

(Millions of yen)

| | 2016 (P) | 2015 | 2014 |
|----------------------------|----------|---------|---------|
| | Year | Year | Year |
| Office | - | 105,298 | 104,391 |
| Imaging System | - | 90,236 | 87,510 |
| Industry and Others | - | 66,585 | 26,516 |
| Corporate and Eliminations | - | 66,381 | 90,562 |
| Total | 320,000 | 328,500 | 308,979 |
| % of sales | 8.3% | 8.6% | 8.3% |

(P)=Projection

13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2016 (P) | 2015 | 2014 |
|--------------------------------------|----------|---------|---------|
| | Year | Year | Year |
| Increase in PP&E | | | |
| Office | - | 70,887 | 65,662 |
| Imaging System | - | 35,634 | 29,200 |
| Industry and Others | - | 20,683 | 13,856 |
| Corporate and Eliminations | - | 67,916 | 73,625 |
| Total | 230,000 | 195,120 | 182,343 |
| Depreciation and amortization | | | |
| Office | - | 86,206 | 87,058 |
| Imaging System | - | 52,070 | 53,912 |
| Industry and Others | - | 45,064 | 37,544 |
| Corporate and Eliminations | - | 89,987 | 84,966 |
| Total | 285,000 | 273,327 | 263,480 |

(P)=Projection

14. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2015 | 2014 | Difference |
|---------------------|---------|---------|------------|
| | Dec.31 | Dec.31 | |
| Office | 225,327 | 238,344 | (13,017) |
| Imaging System | 155,767 | 168,802 | (13,035) |
| Industry and Others | 120,801 | 121,021 | (220) |
| Total | 501,895 | 528,167 | (26,272) |

(2) Inventories/Sales*

(Days)

| | 2015 | 2014 | Difference |
|---------------------|--------|--------|------------|
| | Dec.31 | Dec.31 | |
| Office | 39 | 42 | (3) |
| Imaging System | 43 | 43 | 0 |
| Industry and Others | 86 | 132 | (46) |
| Total | 47 | 50 | (3) |

*Index based on the previous six months sales.

15. DEBT RATIO

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

16. OVERSEAS PRODUCTION RATIO

| | 2015 Year | 2014 Year |
|---------------------------|--------------|--------------|
| Overseas production ratio | 48% | 45% |

*From the 2nd quarter of 2015, the method used to calculate the overseas production ratio has changed. The distinctions between domestic and overseas of parts supplied overseas from Japan as well as other adjustments have been made to more accurately reflect the underlying reality. Past figures have been adjusted to conform to the new method of calculation.

17. NUMBER OF EMPLOYEES

| | 2015 Dec.31 | 2014 Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan | 68,325 | 69,201 | (876) |
| Overseas | 121,246 | 122,688 | (1,442) |
| Total | 189,571 | 191,889 | (2,318) |