

CANON INC
Form 6-K
January 29, 2015

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of **January**

2015

CANON INC.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

SIGNATURES

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

CANON INC.
(Registrant)

Date . **January 29, 2015**

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, 2014

RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2014

January 28, 2015

CONSOLIDATED RESULTS

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

| | Year ended December 31, 2014 | Actual Year ended December 31, 2013 | Change(%) | Year ended December 31, 2014 | Projected Year ending December 31, 2015 | Change(%) |
|--|---------------------------------|---|-----------|---------------------------------|---|-----------|
| Net sales | ¥3,727,252 | ¥ 3,731,380 | - 0.1 | \$ 30,803,736 | ¥ 3,900,000 | + 4.6 |
| Operating profit | 363,489 | 337,277 | + 7.8 | 3,004,041 | 380,000 | + 4.5 |
| Income before income taxes | 383,239 | 347,604 | + 10.3 | 3,167,264 | 390,000 | + 1.8 |
| Net income attributable to Canon Inc. | ¥ 254,797 | ¥ 230,483 | + 10.5 | \$ 2,105,760 | ¥ 260,000 | + 2.0 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | | |
| - Basic | ¥ 229.03 | ¥ 200.78 | + 14.1 | \$ 1.89 | ¥ 238.13 | + 4.0 |
| - Diluted | 229.03 | 200.78 | + 14.1 | 1.89 | - | - |

| | As of December 31, 2014 | Actual As of December 31, 2013 | Change(%) | As of December 31, 2014 |
|-----------------------------------|----------------------------|--------------------------------------|-----------|----------------------------|
| Total assets | ¥4,460,618 | ¥ 4,242,710 | + 5.1 | \$ 36,864,612 |
| Canon Inc. stockholders equity | ¥2,978,184 | ¥ 2,910,262 | + 2.3 | \$ 24,613,091 |

- 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, 2014, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

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| | Actual | | | |
|---------------------------|---------------------------------|---------------------------------|-----------|---------------------------------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 | Change(%) | Year ended December 31, 2014 |
| Net sales | ¥2,084,200 | ¥ 2,152,743 | - 3.2 | \$ 17,224,793 |
| Operating profit | 204,937 | 212,436 | - 3.5 | 1,693,694 |
| Ordinary profit | 249,348 | 236,695 | + 5.3 | 2,060,727 |
| Net income | ¥ 175,471 | ¥ 170,383 | + 3.0 | \$ 1,450,174 |
| Net income per share: | | | | |
| - Basic | ¥ 157.72 | ¥ 148.43 | + 6.3 | \$ 1.30 |
| - Diluted | 157.72 | 148.43 | + 6.3 | 1.30 |
| Dividend per share | 150.00 | 130.00 | + 15.4 | 1.24 |

| | Actual | | | |
|--------------|-------------------------------|-------------------------------|-----------|-------------------------------|
| | As of December 31, 2014 | As of December 31, 2013 | Change(%) | As of December 31, 2014 |
| Total assets | ¥2,315,680 | ¥ 2,385,892 | - 2.9 | \$ 19,137,851 |
| Net assets | ¥1,447,322 | ¥ 1,567,030 | - 7.6 | \$ 11,961,339 |

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, 2014, 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

2014 in Review

Looking back at the global economy in 2014, although the United States and other developed countries were initially expected to bring about a return to a path of full-fledged growth, such expectations came up short due to the ongoing occurrence of such unforeseen circumstances as the conflict between Russia and Ukraine. In the U.S., despite the negative impact of the major cold wave that struck at the beginning of the year, the economy showed steady signs of recovery, buoyed by the improvement in employment conditions and healthy growth in consumer spending. In Europe, the economy remained sluggish due to such factors as the negative impact of Russia's deteriorating economy on neighboring euro area countries. The pace of economic expansion in China was modest while other emerging countries in Southeast Asia and South America faced slowdowns in market growth due to economic stagnation. As for Japan, with the economy yet to recover from the decline following the rush in demand leading up to the hike in the country's consumption tax, growth fell short of the rate recorded in the previous year.

Looking at the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) and laser printers maintained steady growth. Demand for interchangeable-lens digital cameras continued to face harsh conditions due to the economic slowdown. As for digital compact cameras, demand continued to shrink in both developed countries and emerging markets. Looking at the market for inkjet printers, demand decreased due to the sluggish economies of Asia and Europe. In the industry and others sector, a rebound in capital investment for both memory devices and image sensors led to a pickup in demand for semiconductor lithography equipment. Additionally, demand for lithography equipment used in the production of FPDs (flat panel displays) increased for large-size panels.

The average value of the yen during the year was ¥106.18 against the U.S. dollar, a year-on-year depreciation of approximately ¥8, and ¥140.62 against the euro, a year-on-year depreciation of approximately ¥11.

MFDs and laser printers enjoyed solid demand during the year and industrial equipment sales increased significantly. Within the shrinking market for interchangeable-lens digital cameras and digital compact cameras, less-than-expected demand during the year-end shopping season led to a decline in net sales. As a result, despite the positive effects of favorable currency exchange rates, net sales for the year decreased by 0.1% year on year to ¥3,727.3 billion. The gross profit ratio, however, rose 1.7 points year on year to 49.9% 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 due to the depreciation of the yen, Group-wide efforts to thoroughly reduce spending contributed to limiting operating expenses to ¥1,498.0 billion, an increase of just 2.5% year on year. As a result, operating profit increased by 7.8% year on year to ¥363.5 billion. Other income increased by ¥9.4 billion due to foreign currency exchange gains while income before income taxes increased by 10.3% to ¥383.2 billion. Net income attributable to Canon Inc. increased by 10.5% to ¥254.8 billion. Accordingly, despite the slight decline in net sales, Canon achieved profit growth.

Basic net income attributable to Canon Inc. stockholders per share for the year was ¥229.03, a year-on-year increase of ¥28.25.

Results by Segment

Looking at Canon's full-year performance by business unit, within the Office Business Unit, as for office MFDs, sales increased steadily from the year-ago period led by healthy demand for new imageRUNNER ADVANCE C350/C250-series models, Canon's first color A4 (letter and legal-sized)-model imageRUNNER ADVANCE machines, and the imagePRESS C800/C700, Canon's first color models targeting the light production market, along with the A3 (12 x 18 ") -model imageRUNNER ADVANCE C5200 series, which continues to be well accepted in the market. As for high-speed continuous-feed printers, the Océ ColorStream 3000 series continued to enjoy solid sales growth from the previous year. Among laser printers, although color models and multifunction models recorded sales growth, total sales volume decreased slightly from the year-ago period owing to the decrease in demand for monochrome models in European and other markets that have suffered prolonged economic stagnation. As a result, coupled with the positive effects of favorable currency exchange rates, sales for the business unit totaled ¥2,078.7 billion, a year-on-year increase of 3.9%, while operating profit totaled ¥292.1 billion, an increase of 9.4%.

Within the Imaging System Business Unit, although sales volume of interchangeable-lens digital cameras declined owing to the shrinking market in Japan as a result of the reaction following the rush in demand prior to the consumption tax increase, and in Europe and other markets due to worsening economic conditions the advanced-amateur-model EOS 7D Mark II achieved healthy growth, enabling Canon to maintain the market's top share. As for digital compact cameras, despite a decline in total sales volume, sales of high-added-value models featuring high image quality and high-magnification zoom capabilities, such as the PowerShot G7 X and PowerShot SX60 HS/SX700 HS, recorded solid growth, contributing to an improvement in profitability. Looking at inkjet printers, although sales volume of hardware for the fourth quarter increased from the year-ago period thanks to efforts to boost sales through the introduction of new products for the year-end shopping season and marketing tailored to geographical characteristics, sales volume for the year decreased due to economic sluggishness in Asia and Europe. Sales of consumable supplies increased from the previous year owing to the steady accumulation of printer units currently operating in the market. As a result, sales for the business unit decreased by 7.3% to ¥1,343.2 billion year on year, while operating profit declined 4.5% to ¥194.6 billion.

In the Industry and Others Business Unit, ongoing investment following the recovery in the second half of the previous year by memory device manufacturers led to increased unit sales of semiconductor lithography equipment for memory devices and image sensors. As for FPD lithography equipment, amid increasing market demand for higher definition tools, lithography systems for the creation of high-definition mid- and small-size panels, in addition to a model introduced in the second half of the previous year for large panels, recorded healthy growth, contributing to the boosting of both sales volume and market share. With regard to medical equipment, sales volume of new digital radiography systems, including wireless static-image models and models capable of capturing dynamic images, grew steadily, fueling sales growth. Consequently, sales for the business unit totaled ¥398.8 billion, an increase of 6.4% year on year, while operating profit, although showing an improvement from the previous year, recorded a loss of ¥21.8 billion owing to investment, including R&D expenses, into next-generation technologies.

Cash Flow

During 2014, cash flow from operating activities totaled ¥583.9 billion, an increase of ¥76.3 billion compared with the previous year owing to the increase in profit as well as an improvement in working capital. Although capital investment was focused on new products, cash flow from investing activities increased by ¥19.1 billion year on year to ¥269.3 billion as a result of an outlay for the acquisition of Milestone Systems aimed at enhancing Canon's network camera business and several other companies. Accordingly, free cash flow totaled ¥314.6 billion, an increase of ¥57.2 billion compared with the previous year.

Cash flow from financing activities recorded an outlay of ¥300.9 billion, mainly arising from the dividend payout and the repurchasing of treasury stock.

Owing to these factors, as well as the impact of foreign currency translation adjustments, cash and cash equivalents increased by ¥55.7 billion to ¥844.6 billion from the end of the previous year.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,084.2 billion, a year-on-year decrease of 3.2%, ordinary profit increased by 5.3% to ¥249.3 billion, and net income increased by 3.0% to ¥175.5 billion.

Outlook

As for the outlook in 2015, the U.S. economy is expected to grow steadily as employment conditions continue to improve and consumer spending picks up. Projections for the European economy point to continued weak growth due to such ongoing destabilizing factors as the significant slowdown in the Russian economy and the resurgent financial crisis among EU member nations. Looking at China's economy, the country is expected to gradually shift from high economic growth toward a period of stable growth. In Japan, amid an improvement in employment conditions, consumer spending is expected to gradually recover. As for the outlook for the global economy as a whole, while we will likely see differences in each region, indications point to gradual acceleration toward stable growth as the latter half of the year approaches.

In the businesses in which Canon operates, demand for MFDs is projected to continue to expand moderately, mainly for color models, while demand in the laser printer market is expected to remain at the same level as the previous year. As for the digital camera market, although projections indicate continued market contraction mainly for low-priced compact models, demand for interchangeable-lens digital cameras is expected to recover gradually. Looking at inkjet printers, with Asian markets gradually recovering following their extended period of stagnation, demand is expected to remain in line with the previous year. As for the industrial equipment market, with manufacturers expected to continue making capital outlays for semiconductor lithography equipment in response to increasing demand for memory devices and image sensors, demand is expected to remain at the same level as the previous year. And as for FPD lithography equipment, demand is projected to increase as device manufacturers boost capital investment amid growing panel demand projected for 4K televisions and mobile devices.

With regard to currency exchange rates for the year, on which Canon's performance outlook is based, taking into account the current depreciation of the yen, Canon anticipates exchange rates of ¥120 to the U.S. dollar and ¥135 to the euro, representing a depreciation of approximately ¥14 against the U.S. dollar and an appreciation of approximately ¥6 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration these foreign exchange rate assumptions, Canon projects full-year consolidated net sales in 2015 of ¥3,900.0 billion, a year-on-year increase of 4.6%; operating profit of ¥380.0 billion, a year-on-year increase of 4.5%; income before income taxes of ¥390.0 billion, a year-on-year increase of 1.8%; and net income attributable to Canon Inc. of ¥260.0 billion, a year-on-year increase of 2.0%.

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 2014, the business environment remained challenging, characterized by, among other factors, prolonged global economic weakness. Thanks, however, to efforts to strengthen product competitiveness and 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 ¥65 per share [already distributed], and year-end dividend of ¥85), which represents a ¥20 increase from 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. Through three phases, a period spanning 15 years, Canon worked to strengthen its management base. In Phase IV, which started in 2011, Canon established a goal of sound business growth, which entails the maintenance of high profitability and further expansion of corporate scale.

Over the past four years, such unforeseen events as the Great East Japan Earthquake, the extreme appreciation of the yen, the financial crisis in Europe and the Russia-Ukraine conflict have led to frequent and dramatic changes that have created a very difficult business environment. Canon sees significant opportunity in this kind of dramatic change and has been working to realize sound business growth, overcome these adversities and ensure a return to a growth trajectory by swiftly transforming itself ahead of the changing times.

In 2015, the final year of Phase IV, the Canon Group will work in a concerted effort to improve performance and build a solid foundation that will support further expansion in the future.

(3) Business Challenges and Countermeasures

As for the future of the global economy, although challenging conditions are expected to remain for some time in certain countries and regions, Canon anticipates sustained economic growth in countries such as the U.S. among developed countries, and India and ASEAN countries among emerging markets. Overall, the global economy is expected to gradually move toward stable growth.

Amid these conditions, 2015 is the final year of Phase IV of the Excellent Global Corporation Plan and the year in which the Canon EXPO will be held as the culmination of the efforts carried out during Phase IV. In addition to returning to a path of growth, Canon aims to bring Phase IV to a successful close, further reinforcing its business foundation to enable great strides beginning from next year. Toward this objective, Canon will undertake the following various measures.

1. Reinforcing Existing Businesses Through the Introduction of Innovative Products and Services

For MFDs and other office products, in addition to improving hardware performance, efforts will be made to build a framework that will enable the Company to service as a one-stop shop that provides a broad range of high-quality services. For cameras, efforts will be made to comprehensively raise aspects such as image-quality, visual expression, and operability. At the same time, Canon will work to further strengthen the network capabilities of these products. Additionally, to facilitate the Company's aim of becoming the all around leader in printing, it will leverage its strength, derived from having prepared a broad lineup, spanning consumer printers to industrial printing. In the Industrial equipment area, Canon will devise and execute concrete plans to concentrate technologies and strengthen the competitiveness of Canon Group companies.

2. Expanding New and Future Businesses and Further Cultivating Technologies that will Pave the Way to the Future
Canon aims to produce next-generation lithography equipment in volume by strengthening nanoimprint technology that realizes further reduction in process geometries. In the area of network camera systems, Canon will work to enhance its product lineup and develop solutions that address customer needs. With regard to the MR (Mixed Reality) System, Canon will identify industries that can leverage the strength of this system, and will strive to make the system the de facto standard design tool in those industries. In the medical field, the Company will accelerating develop, focusing on promising themes such as photoacoustic tomography, which facilitates the viewing of vascular conditions in 3D. The Company will work to expand and steadily cultivate new businesses mainly targeting the B2B field, such as Super Machine Vision, a system capable of high-accuracy three-dimensional recognition of objects for potential use in production sites, and 4K reference displays.

3. Strengthening Global Marketing Capabilities Through Unified Effort Between Product Operations and Sales Companies

In developed countries, Canon aims to gain share in both consumer and office segments. In the consumer segment, Canon will address the popularity of online shopping and other trends that are contributing to the diversification of sales channels. In the office segment, Canon will strengthen its response towards centralized procurement of office equipment by global corporations. In emerging markets, Canon will promote enhancement of its various sales networks and product lineup, in line with situations in each country and region.

4. Accelerating a New Dimension of Cost-reduction Activities

In the area of procurement, Canon aims to reduce total costs, further deploying measures focused on reducing costs from the stage of product development. In the prototyping process, Canon will create next-generation development methodologies, through such means as expanding the application of simulation technologies as well as employing 3D printing. In production, Canon will realize further cost reduction by expanding the application of automation equipment and through measures aimed at the in-house production of molded parts and production equipment.

5. Building a Globally Optimized Production System

To maintain an optimized production system, Canon will take steps to revive domestic production, promoting measures such as automation and in-house production, while building new structural dimensions of cost reduction. At the same time, Canon will promote localized production of through the use of automation equipment in the U.S. and Europe.

In addition to these measures, Canon will promote other initiatives such as product quality reforms to win top customer approval, information security improvement, and human resource development.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | |
|---|----------------------------|----------------------------|-----------|
| | As of December 31, 2014 | As of December 31, 2013 | Change |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 844,580 | ¥ 788,909 | ¥ 55,671 |
| Short-term investments | 71,863 | 47,914 | 23,949 |
| Trade receivables, net | 625,675 | 608,741 | 16,934 |
| Inventories | 528,167 | 553,773 | (25,606) |
| Prepaid expenses and other current assets | 321,648 | 286,605 | 35,043 |
| Total current assets | 2,391,933 | 2,285,942 | 105,991 |
| Noncurrent receivables | 29,785 | 19,276 | 10,509 |
| Investments | 65,176 | 70,358 | (5,182) |
| Property, plant and equipment, net | 1,269,529 | 1,278,730 | (9,201) |
| Intangible assets, net | 177,288 | 145,075 | 32,213 |
| Other assets | 526,907 | 443,329 | 83,578 |
| Total assets | ¥ 4,460,618 | ¥ 4,242,710 | ¥ 217,908 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities: | | | |
| Short-term loans and current portion of long-term debt | ¥ 1,018 | ¥ 1,299 | ¥ (281) |
| Trade payables | 310,214 | 307,157 | 3,057 |
| Accrued income taxes | 57,212 | 53,196 | 4,016 |
| Accrued expenses | 345,237 | 315,536 | 29,701 |
| Other current liabilities | 207,698 | 171,119 | 36,579 |
| Total current liabilities | 921,379 | 848,307 | 73,072 |
| Long-term debt, excluding current installments | 1,148 | 1,448 | (300) |
| Accrued pension and severance cost | 280,928 | 229,664 | 51,264 |
| Other noncurrent liabilities | 116,405 | 96,514 | 19,891 |
| Total liabilities | 1,319,860 | 1,175,933 | 143,927 |
| Equity: | | | |
| Canon Inc. stockholders' equity: | | | |

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| | | | |
|---|--------------------|-------------|-----------|
| Common stock | 174,762 | 174,762 | - |
| Additional paid-in capital | 401,563 | 402,029 | (466) |
| Legal reserve | 64,599 | 63,091 | 1,508 |
| Retained earnings | 3,320,392 | 3,212,692 | 107,700 |
| Accumulated other comprehensive income (loss) | 28,286 | (80,646) | 108,932 |
| Treasury stock, at cost | (1,011,418) | (861,666) | (149,752) |
| Total Canon Inc. stockholders equity | 2,978,184 | 2,910,262 | 67,922 |
| Noncontrolling interests | 162,574 | 156,515 | 6,059 |
| Total equity | 3,140,758 | 3,066,777 | 73,981 |
| Total liabilities and equity | ¥ 4,460,618 | ¥ 4,242,710 | ¥ 217,908 |

Millions of yen

| | | | |
|--|--------------------------|--|--------------------------|
| | As of | | As of |
| | December 31, 2014 | | December 31, 2013 |

Notes:

| | | |
|---|------------------|-----------|
| 1. Allowance for doubtful receivables | ¥ 12,122 | ¥ 12,730 |
| 2. Accumulated depreciation | 2,519,259 | 2,383,530 |
| 3. Accumulated other comprehensive income (loss): | | |
| Foreign currency translation adjustments | 144,557 | 1,734 |
| Net unrealized gains and losses on securities | 12,546 | 10,242 |
| Net gains and losses on derivative instruments | (2,603) | (2,408) |
| Pension liability adjustments | (126,214) | (90,214) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | Change(%) |
|---|--|---|-----------|
| | Three months ended December 31, 2014 | Three months ended December 31, 2013 | |
| Net sales | ¥1,059,936 | ¥ 1,034,698 | + 2.4 |
| Cost of sales | 544,922 | 546,680 | |
| Gross profit | 515,014 | 488,018 | + 5.5 |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 334,398 | 316,713 | |
| Research and development expenses | 82,147 | 77,765 | |
| | 416,545 | 394,478 | |
| Operating profit | 98,469 | 93,540 | + 5.3 |
| Other income (deductions): | | | |
| Interest and dividend income | 2,157 | 2,340 | |
| Interest expense | (140) | (193) | |
| Other, net | 6,423 | 4,738 | |
| | 8,440 | 6,885 | |
| Income before income taxes | 106,909 | 100,425 | + 6.5 |
| Income taxes | 34,594 | 32,103 | |
| Consolidated net income | 72,315 | 68,322 | |
| Less: Net income attributable to noncontrolling interests | 4,225 | 4,070 | |
| Net income attributable to Canon Inc. | ¥ 68,090 | ¥ 64,252 | + 6.0 |

Results for the fiscal year

| | Millions of yen | | Change(%) |
|---------------|---------------------------------|---------------------------------|-----------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 | |
| Net sales | ¥3,727,252 | ¥ 3,731,380 | - 0.1 |
| Cost of sales | 1,865,780 | 1,932,959 | |

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| | | | | |
|---|------------------|-----------|---|------|
| Gross profit | 1,861,472 | 1,798,421 | + | 3.5 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 1,189,004 | 1,154,820 | | |
| Research and development expenses | 308,979 | 306,324 | | |
| | 1,497,983 | 1,461,144 | | |
| Operating profit | 363,489 | 337,277 | + | 7.8 |
| Other income (deductions): | | | | |
| Interest and dividend income | 7,906 | 6,579 | | |
| Interest expense | (500) | (550) | | |
| Other, net | 12,344 | 4,298 | | |
| | 19,750 | 10,327 | | |
| Income before income taxes | 383,239 | 347,604 | + | 10.3 |
| Income taxes | 118,000 | 108,088 | | |
| Consolidated net income | 265,239 | 239,516 | | |
| Less: Net income attributable to noncontrolling interests | 10,442 | 9,033 | | |
| Net income attributable to Canon Inc. | ¥ 254,797 | ¥ 230,483 | + | 10.5 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

Results for the fourth quarter

Millions of yen

Change(%)

Three months ended
December 31, 2014 **Three months ended**
December 31, 2013

| | | | | |
|---|----------|-----------|---|------|
| Consolidated net income | ¥ 72,315 | ¥ 68,322 | + | 5.8 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | 120,573 | 109,297 | | |
| Net unrealized gains and losses on securities | 1,879 | 2,700 | | |
| Net gains and losses on derivative instruments | (1,569) | (2,384) | | |
| Pension liability adjustments | (50,765) | 29,850 | | |
| | 70,118 | 139,463 | | |
| Comprehensive income | 142,433 | 207,785 | - | 31.5 |
| Less: Comprehensive income attributable to noncontrolling interests | 3,127 | 7,892 | | |
| Comprehensive income attributable to Canon Inc. | ¥139,306 | ¥ 199,893 | - | 30.3 |

Results for the fiscal year

Millions of yen

Change(%)

Year ended
December 31, 2014 **Year ended**
December 31, 2013

| | | | | |
|---|----------|-----------|---|------|
| Consolidated net income | ¥265,239 | ¥ 239,516 | + | 10.7 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | 143,834 | 251,576 | | |
| Net unrealized gains and losses on securities | 2,524 | 6,612 | | |
| Net gains and losses on derivative instruments | (195) | 2,056 | | |
| Pension liability adjustments | (37,985) | 32,669 | | |
| | 108,178 | 292,913 | | |
| Comprehensive income | 373,417 | 532,429 | - | 29.9 |
| Less: Comprehensive income attributable to noncontrolling interests | 9,666 | 14,688 | | |

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| | | | | | |
|---|------------------|---|---------|---|------|
| Comprehensive income attributable to Canon Inc. | ¥ 363,751 | ¥ | 517,741 | - | 29.7 |
|---|------------------|---|---------|---|------|

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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, 2014 | Three months ended December 31, 2013 | |
| Office | ¥ 564,813 | ¥ 521,970 | + 8.2 |
| Imaging System | 402,165 | 416,181 | - 3.4 |
| Industry and Others | 116,695 | 118,781 | - 1.8 |
| Eliminations | (23,737) | (22,234) | - |
| Total | ¥1,059,936 | ¥ 1,034,698 | + 2.4 |

| Sales by region | Millions of yen | | Change(%) |
|------------------|--|--|-----------|
| | Three months ended December 31, 2014 | Three months ended December 31, 2013 | |
| Japan | ¥ 207,754 | ¥ 212,523 | - 2.2 |
| Overseas: | | | |
| Americas | 309,855 | 287,740 | + 7.7 |
| Europe | 312,375 | 319,667 | - 2.3 |
| Asia and Oceania | 229,952 | 214,768 | + 7.1 |
| | 852,182 | 822,175 | + 3.6 |
| Total | ¥1,059,936 | ¥ 1,034,698 | + 2.4 |

Results for the fiscal year

| Sales by business unit | Millions of yen | | Change(%) |
|------------------------|------------------------------------|------------------------------------|-----------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 | |
| Office | ¥2,078,732 | ¥ 2,000,073 | + 3.9 |
| Imaging System | 1,343,194 | 1,448,938 | - 7.3 |
| Industry and Others | 398,765 | 374,870 | + 6.4 |
| Eliminations | (93,439) | (92,501) | - |
| Total | ¥3,727,252 | ¥ 3,731,380 | - 0.1 |

| Sales by region | Millions of yen | | Change(%) |
|-----------------|------------------------|----------------------------|-----------|
| | Year ended December | Year ended December 31, | |

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| | 31, 2014 | | 2013 | | |
|-------------------------|------------------|---|-----------|---|-----|
| Japan | ¥ 724,317 | ¥ | 715,863 | + | 1.2 |
| Overseas: | | | | | |
| <i>Americas</i> | 1,036,500 | | 1,059,501 | - | 2.2 |
| <i>Europe</i> | 1,090,484 | | 1,124,929 | - | 3.1 |
| <i>Asia and Oceania</i> | 875,951 | | 831,087 | + | 5.4 |
| | 3,002,935 | | 3,015,517 | - | 0.4 |
| Total | ¥ 3,727,252 | ¥ | 3,731,380 | - | 0.1 |

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 / 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. stockholders equity | Noncontrolling interests | Total equity |
|--|-----------------|----------------------------------|------------------|----------------------|---|-------------------|---|-----------------------------|------------------|
| 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 controlling interests and Canon Inc. stockholders | | 489 | | 295 | (655) | | 129 | (11,182) | (11,029) |
| Dividends to controlling interests | | | | (155,627) | | | (155,627) | | (155,627) |
| Dividends to Canon Inc. stockholders | | | | | | | | (3,267) | (3,267) |
| Transfers to legal reserve | | | 1,428 | (1,428) | | | - | | |
| Comprehensive income: | | | | 230,483 | | | 230,483 | 9,033 | 239,516 |
| Net of foreign currency translation adjustments | | | | | 249,791 6,097 | | 249,791 6,097 | 1,785 515 | 251,506 6,611 |

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| | | | | | | | | | | |
|----------------|-----------|-----------|----------|-------------|------------|-------------|-------------|-----------|---|-----------|
| unrealized | | | | | | | | | | |
| ns and losses | | | | | | | | | | |
| securities | | | | | | | | | | |
| gains and | | | | | | | | | | |
| es on | | | | | | | | | | |
| ivative | | | | | | | | | | |
| uments | | | | | 2,056 | | 2,056 | - | | 2,056 |
| sion liability | | | | | | | | | | |
| ustments | | | | | 29,314 | | 29,314 | 3,355 | | 32,669 |
| al | | | | | | | | | | |
| mprehensive | | | | | | | | | | |
| ome | | | | | | | 517,741 | 14,688 | | 532,429 |
| urchase of | | | | | | | | | | |
| asury stock, | | (7) | | (7) | | (49,993) | (50,007) | | | (50,000) |
| ance at | | | | | | | | | | |
| ember 31, | | | | | | | | | | |
| 3 | ¥ 174,762 | ¥ 402,029 | ¥ 63,091 | ¥ 3,212,692 | ¥ (80,646) | ¥ (861,666) | ¥ 2,910,262 | ¥ 156,515 | ¥ | 3,066,777 |
| uity | | | | | | | | | | |
| nsactions | | | | | | | | | | |
| h | | | | | | | | | | |
| oncontrolling | | | | | | | | | | |
| erests and | | | | | | | | | | |
| er | | (420) | | 216 | (22) | | (226) | (658) | | (890) |
| idends to | | | | | | | | | | |
| non Inc. | | | | | | | | | | |
| ckholders | | | | (145,790) | | | (145,790) | | | (145,790) |
| idends to | | | | | | | | | | |
| oncontrolling | | | | | | | | | | |
| erests | | | | | | | | (2,949) | | (2,949) |
| nsfers to | | | | | | | | | | |
| al reserve | | | 1,508 | (1,508) | | | - | | | |
| mprehensive | | | | | | | | | | |
| ome: | | | | | | | | | | |
| income | | | | 254,797 | | | 254,797 | 10,442 | | 265,239 |
| er | | | | | | | | | | |
| mprehensive | | | | | | | | | | |
| ome (loss), | | | | | | | | | | |
| of tax: | | | | | | | | | | |
| oreign | | | | | | | | | | |
| rency | | | | | | | | | | |
| nslation | | | | | | | | | | |
| ustments | | | | | 142,813 | | 142,813 | 1,021 | | 143,834 |
| unrealized | | | | | 2,301 | | 2,301 | 223 | | 2,524 |
| ns and losses | | | | | | | | | | |

| | | | | | | | | | |
|--------------|-----------|-----------|----------|-------------|-----------|--------------|------------|----------|-------------|
| securities | | | | | | | | | |
| gains and | | | | | | | | | |
| es on | | | | | | | | | |
| ivative | | | | | | | | | |
| truments | | | | | | | | | |
| ision | | | | | | | | | |
| ility | | | | | | | | | |
| ustments | | | | | | | | | |
| al | | | | | | | | | |
| mprehensive | | | | | | | | | |
| ome | | | | | | | | | |
| | | | | | | | | | |
| urchase of | | | | | | | | | |
| asury stock, | | | | | | | | | |
| | (46) | | (15) | | (149,752) | | (149,813) | | (149,813) |
| | | | | | | | | | |
| ance at | | | | | | | | | |
| ember 31, | | | | | | | | | |
| 4 | ¥ 174,762 | ¥ 401,563 | ¥ 64,599 | ¥ 3,320,392 | ¥ 28,286 | ¥(1,011,418) | ¥2,978,184 | ¥162,574 | ¥ 3,140,754 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 |
| Cash flows from operating activities: | | |
| Consolidated net income | ¥ 265,239 | ¥ 239,516 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 263,480 | 275,173 |
| Loss on disposal of fixed assets | 12,429 | 10,638 |
| Deferred income taxes | 8,929 | 16,791 |
| Decrease in trade receivables | 9,323 | 45,040 |
| Decrease in inventories | 59,004 | 85,577 |
| Decrease in trade payables | (24,620) | (108,622) |
| Increase (decrease) in accrued income taxes | 3,586 | (9,432) |
| Increase (decrease) in accrued expenses | 11,124 | (15,635) |
| Decrease in accrued (prepaid) pension and severance cost | (6,305) | (15,568) |
| Other, net | (18,262) | (15,836) |
| Net cash provided by operating activities | 583,927 | 507,642 |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (218,362) | (233,175) |
| Proceeds from sale of fixed assets | 3,994 | 1,763 |
| Purchases of available-for-sale securities | (311) | (5,771) |
| Proceeds from sale and maturity of available-for-sale securities | 2,606 | 4,528 |
| Increase in time deposits, net | (14,223) | (12,483) |
| Acquisitions of subsidiaries, net of cash acquired | (54,772) | (4,914) |
| Purchases of other investments | - | (296) |
| Other, net | 11,770 | 136 |
| Net cash used in investing activities | (269,298) | (250,212) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 1,377 | 1,483 |
| Repayments of long-term debt | (2,152) | (2,334) |
| Decrease in short-term loans, net | (54) | (547) |
| Dividends paid | (145,790) | (155,627) |
| Repurchases of treasury stock, net | (149,813) | (50,007) |
| Other, net | (4,454) | (15,149) |
| Net cash used in financing activities | (300,886) | (222,181) |
| Effect of exchange rate changes on cash and cash equivalents | 41,928 | 86,982 |

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| | | | |
|--|------------------|---|---------|
| Net change in cash and cash equivalents | 55,671 | | 122,231 |
| Cash and cash equivalents at beginning of year | 788,909 | | 666,678 |
| Cash and cash equivalents at end of year | ¥ 844,580 | ¥ | 788,909 |

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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 | | |
|-----------------------------|---|---|-----------|
| | Three months ended December 31, 2014 | Three months ended December 31, 2013 | Change(%) |
| Office | | | |
| Net sales: | | | |
| External customers | ¥ 564,349 | ¥ 521,283 | + 8.3 |
| Intersegment | 464 | 687 | - 32.5 |
| Total | 564,813 | 521,970 | + 8.2 |
| Operating cost and expenses | 491,224 | 458,419 | + 7.2 |
| Operating profit | ¥ 73,589 | ¥ 63,551 | + 15.8 |
| Imaging System | | | |
| Net sales: | | | |
| External customers | ¥ 401,958 | ¥ 416,003 | - 3.4 |
| Intersegment | 207 | 178 | + 16.3 |
| Total | 402,165 | 416,181 | - 3.4 |
| Operating cost and expenses | 343,898 | 354,085 | - 2.9 |
| Operating profit | ¥ 58,267 | ¥ 62,096 | - 6.2 |
| Industry and Others | | | |
| Net sales: | | | |
| External customers | ¥ 93,629 | ¥ 97,412 | - 3.9 |
| Intersegment | 23,066 | 21,369 | + 7.9 |
| Total | 116,695 | 118,781 | - 1.8 |
| Operating cost and expenses | 123,436 | 122,608 | + 0.7 |

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| | | | | | |
|-----------------------------------|---|-----------|---|-----------|-------|
| Operating profit | ¥ | (6,741) | ¥ | (3,827) | - |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ | - | ¥ | - | - |
| Intersegment | | (23,737) | | (22,234) | - |
| Total | | (23,737) | | (22,234) | - |
| Operating cost and expenses | | 2,909 | | 6,046 | - |
| Operating profit | ¥ | (26,646) | ¥ | (28,280) | - |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ | 1,059,936 | ¥ | 1,034,698 | + 2.4 |
| Intersegment | | - | | - | - |
| Total | | 1,059,936 | | 1,034,698 | + 2.4 |
| Operating cost and expenses | | 961,467 | | 941,158 | + 2.2 |
| Operating profit | ¥ | 98,469 | ¥ | 93,540 | + 5.3 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

| | Millions of yen | | | |
|-------------------------------|---------------------------------|---------------------------------|-----------|------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 | Change(%) | |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 2,075,788 | ¥ 1,993,898 | + | 4.1 |
| Intersegment | 2,944 | 6,175 | - | 52.3 |
| Total | 2,078,732 | 2,000,073 | + | 3.9 |
| Operating cost and expenses | 1,786,675 | 1,733,165 | + | 3.1 |
| Operating profit | 292,057 | 266,908 | + | 9.4 |
| Total assets | 1,025,499 | 954,803 | + | 7.4 |
| Depreciation and amortization | 87,058 | 88,344 | - | 1.5 |
| Capital expenditures | ¥ 69,704 | ¥ 54,644 | + | 27.6 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,342,501 | ¥ 1,448,186 | - | 7.3 |
| Intersegment | 693 | 752 | - | 7.8 |
| Total | 1,343,194 | 1,448,938 | - | 7.3 |
| Operating cost and expenses | 1,148,593 | 1,245,144 | - | 7.8 |
| Operating profit | 194,601 | 203,794 | - | 4.5 |
| Total assets | 517,524 | 584,856 | - | 11.5 |
| Depreciation and amortization | 53,912 | 56,564 | - | 4.7 |
| Capital expenditures | ¥ 31,124 | ¥ 44,112 | - | 29.4 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 308,963 | ¥ 289,296 | + | 6.8 |
| Intersegment | 89,802 | 85,574 | + | 4.9 |
| Total | 398,765 | 374,870 | + | 6.4 |
| Operating cost and expenses | 420,566 | 400,201 | + | 5.1 |

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| | | | | |
|-------------------------------|----------|----------|---|------|
| Operating profit | (21,801) | (25,331) | | - |
| Total assets | 342,695 | 328,202 | + | 4.4 |
| Depreciation and amortization | 37,544 | 37,072 | + | 1.3 |
| Capital expenditures | ¥ 15,976 | ¥ 27,040 | - | 40.9 |

Corporate and Eliminations

Net sales:

| | | | | |
|-------------------------------|-----------|-----------|---|-----|
| External customers | ¥ - | ¥ - | | - |
| Intersegment | (93,439) | (92,501) | | - |
| Total | (93,439) | (92,501) | | - |
| Operating cost and expenses | 7,929 | 15,593 | | - |
| Operating profit | (101,368) | (108,094) | | - |
| Total assets | 2,574,900 | 2,374,849 | + | 8.4 |
| Depreciation and amortization | 84,966 | 93,193 | - | 8.8 |
| Capital expenditures | ¥ 107,956 | ¥ 101,682 | + | 6.2 |

Consolidated

Net sales:

| | | | | |
|-------------------------------|-------------|-------------|---|-----|
| External customers | ¥ 3,727,252 | ¥ 3,731,380 | - | 0.1 |
| Intersegment | - | - | | - |
| Total | 3,727,252 | 3,731,380 | - | 0.1 |
| Operating cost and expenses | 3,363,763 | 3,394,103 | - | 0.9 |
| Operating profit | 363,489 | 337,277 | + | 7.8 |
| Total assets | 4,460,618 | 4,242,710 | + | 5.1 |
| Depreciation and amortization | 263,480 | 275,173 | - | 4.2 |
| Capital expenditures | ¥ 224,760 | ¥ 227,478 | - | 1.2 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

Results for the fourth quarter

| | Millions of yen | | | | |
|-----------------------------|---|---|---|--|-----------|
| | Three months ended December 31, 2014 | Three months ended December 31, 2013 | | | Change(%) |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 232,313 | ¥ 246,242 | - | | 5.7 |
| Intersegment | 472,681 | 457,411 | + | | 3.3 |
| Total | 704,994 | 703,653 | + | | 0.2 |
| Operating cost and expenses | 614,103 | 614,352 | - | | 0.0 |
| Operating profit | ¥ 90,891 | ¥ 89,301 | + | | 1.8 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 308,536 | ¥ 287,576 | + | | 7.3 |
| Intersegment | 3,541 | 3,191 | + | | 11.0 |
| Total | 312,077 | 290,767 | + | | 7.3 |
| Operating cost and expenses | 303,655 | 286,926 | + | | 5.8 |
| Operating profit | ¥ 8,422 | ¥ 3,841 | + | | 119.3 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 311,270 | ¥ 319,384 | - | | 2.5 |
| Intersegment | 18,591 | 13,431 | + | | 38.4 |
| Total | 329,861 | 332,815 | - | | 0.9 |
| Operating cost and expenses | 320,771 | 321,495 | - | | 0.2 |
| Operating profit | ¥ 9,090 | ¥ 11,320 | - | | 19.7 |

Asia and Oceania

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| | | | | | | |
|-----------------------------------|---|------------------|---|-----------|---|------|
| Net sales: | | | | | | |
| External customers | ¥ | 207,817 | ¥ | 181,496 | + | 14.5 |
| Intersegment | | 220,317 | | 219,181 | + | 0.5 |
| Total | | 428,134 | | 400,677 | + | 6.9 |
| Operating cost and expenses | | 416,437 | | 393,538 | + | 5.8 |
| Operating profit | ¥ | 11,697 | ¥ | 7,139 | + | 63.8 |
| Corporate and Eliminations | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | - | ¥ | - | | - |
| Intersegment | | (715,130) | | (693,214) | | - |
| Total | | (715,130) | | (693,214) | | - |
| Operating cost and expenses | | (693,499) | | (675,153) | | - |
| Operating profit | ¥ | (21,631) | ¥ | (18,061) | | - |
| Consolidated | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 1,059,936 | ¥ | 1,034,698 | + | 2.4 |
| Intersegment | | - | | - | | - |
| Total | | 1,059,936 | | 1,034,698 | + | 2.4 |
| Operating cost and expenses | | 961,467 | | 941,158 | + | 2.2 |
| Operating profit | ¥ | 98,469 | ¥ | 93,540 | + | 5.3 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

| | Millions of yen | | | |
|-----------------------------|---------------------------------|---------------------------------|-----------|------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 | Change(%) | |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 836,801 | ¥ 797,501 | + | 4.9 |
| Intersegment | 1,752,378 | 1,855,181 | - | 5.5 |
| Total | 2,589,179 | 2,652,682 | - | 2.4 |
| Operating cost and expenses | 2,245,930 | 2,326,351 | - | 3.5 |
| Operating profit | 343,249 | 326,331 | + | 5.2 |
| Total assets | ¥ 1,134,484 | ¥ 1,152,398 | - | 1.6 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,033,797 | ¥ 1,056,096 | - | 2.1 |
| Intersegment | 8,738 | 11,774 | - | 25.8 |
| Total | 1,042,535 | 1,067,870 | - | 2.4 |
| Operating cost and expenses | 1,018,661 | 1,043,487 | - | 2.4 |
| Operating profit | 23,874 | 24,383 | - | 2.1 |
| Total assets | ¥ 531,122 | ¥ 447,039 | + | 18.8 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,088,293 | ¥ 1,124,603 | - | 3.2 |
| Intersegment | 59,493 | 53,281 | + | 11.7 |
| Total | 1,147,786 | 1,177,884 | - | 2.6 |
| Operating cost and expenses | 1,135,515 | 1,171,357 | - | 3.1 |
| Operating profit | 12,271 | 6,527 | + | 88.0 |

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| | | | | | | |
|-----------------------------------|---|--------------------|---|-------------|---|------|
| Total assets | ¥ | 484,858 | ¥ | 496,549 | - | 2.4 |
| Asia and Oceania | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 768,361 | ¥ | 753,180 | + | 2.0 |
| Intersegment | | 821,600 | | 881,765 | - | 6.8 |
| Total | | 1,589,961 | | 1,634,945 | - | 2.8 |
| Operating cost and expenses | | 1,522,244 | | 1,574,125 | - | 3.3 |
| Operating profit | | 67,717 | | 60,820 | + | 11.3 |
| Total assets | ¥ | 674,672 | ¥ | 631,827 | + | 6.8 |
| Corporate and Eliminations | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | - | ¥ | - | - | - |
| Intersegment | | (2,642,209) | | (2,802,001) | - | - |
| Total | | (2,642,209) | | (2,802,001) | - | - |
| Operating cost and expenses | | (2,558,587) | | (2,721,217) | - | - |
| Operating profit | | (83,622) | | (80,784) | - | - |
| Total assets | ¥ | 1,635,482 | ¥ | 1,514,897 | - | - |
| Consolidated | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ | 3,727,252 | ¥ | 3,731,380 | - | 0.1 |
| Intersegment | | - | | - | - | - |
| Total | | 3,727,252 | | 3,731,380 | - | 0.1 |
| Operating cost and expenses | | 3,363,763 | | 3,394,103 | - | 0.9 |
| Operating profit | | 363,489 | | 337,277 | + | 7.8 |
| Total assets | ¥ | 4,460,618 | ¥ | 4,242,710 | + | 5.1 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | December 31, 2014 | December 31, 2013 | Change |
|--------------|-------------------|-------------------|--------|
| Subsidiaries | 261 | 257 | 4 |
| Affiliates | 7 | 11 | (4) |
| Total | 268 | 268 | - |

2. Change in Group Entities

| | |
|--------------|--------------|
| Subsidiaries | |
| Addition: | 24 companies |
| Removal: | 20 companies |

| | |
|--------------------------------------|-------------|
| Affiliates (Carried at Equity Basis) | |
| Removal: | 4 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. STOCKHOLDERS PER SHARE

| Results for the fiscal year | Millions of yen | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2014 | Year ended December 31, 2013 |
| Net income attributable to Canon Inc. | | |
| -Basic | ¥ 254,797 | ¥ 230,483 |
| -Diluted | 254,797 | 230,483 |
| | Number of shares | |
| Average common shares outstanding | | |
| -Basic | 1,112,509,931 | 1,147,933,835 |
| -Diluted | 1,112,514,324 | 1,147,942,301 |
| | Yen | |
| Net income attributable to Canon Inc. stockholders per share: | | |
| -Basic | ¥ 229.03 | ¥ 200.78 |
| -Diluted | 229.03 | 200.78 |

(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, 2014 | As of December 31, 2013 |
| ASSETS | | |
| Current assets: | | |
| Cash | ¥ 34,362 | ¥ 34,054 |
| Trade receivables | 596,293 | 582,012 |
| Marketable securities | 54,740 | 100,660 |
| Inventories | 151,272 | 166,244 |
| Prepaid expenses and other current assets | 187,930 | 191,698 |
| Allowance for doubtful receivables | (86) | (66) |
| Total current assets | 1,024,511 | 1,074,602 |
| Fixed assets: | | |
| Net property, plant and equipment | 666,588 | 685,526 |
| Intangibles | 31,152 | 30,955 |
| Investments and other fixed assets | 593,502 | 594,885 |
| Allowance for doubtful receivables-noncurrent | (73) | (76) |
| Total fixed assets | 1,291,169 | 1,311,290 |
| Total assets | ¥ 2,315,680 | ¥ 2,385,892 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Trade payables | ¥ 291,693 | ¥ 302,068 |

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| | | |
|--|--------------------|-------------|
| Short-term loans | 365,441 | 322,653 |
| Accrued income taxes | 32,028 | 32,285 |
| Accrued warranty expenses | 2,622 | 1,487 |
| Accrued bonuses for employees | 4,476 | 4,549 |
| Accrued bonuses for directors | 199 | 206 |
| Other current liabilities | 132,163 | 113,717 |
| | | |
| Total current liabilities | 828,622 | 776,965 |
| | | |
| Noncurrent liabilities: | | |
| Accrued pension and severance cost | 34,690 | 35,044 |
| Reserve for environmental provision | 2,075 | 3,437 |
| Accrued long service rewards for employees | 1,304 | 1,442 |
| Other noncurrent liabilities | 1,667 | 1,974 |
| | | |
| Total noncurrent liabilities | 39,736 | 41,897 |
| | | |
| Total liabilities | 868,358 | 818,862 |
| | | |
| Net assets: | | |
| Stockholders' equity | 1,438,668 | 1,558,754 |
| Valuation and translation adjustments | 7,101 | 5,888 |
| Subscription right to shares | 1,553 | 2,388 |
| | | |
| Total net assets | 1,447,322 | 1,567,030 |
| | | |
| Total liabilities and net assets | ¥ 2,315,680 | ¥ 2,385,892 |

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED STATEMENTS OF INCOME

(Parent company only)

Millions of yen

| | Year ended December 31, 2014 | Year ended December 31, 2013 |
|--|---|---------------------------------|
| Net sales | ¥ 2,084,200 | ¥ 2,152,743 |
| Cost of sales | 1,441,204 | 1,510,014 |
| Gross profit | 642,996 | 642,729 |
| Selling, general and administrative expenses | 438,059 | 430,293 |
| Operating profit | 204,937 | 212,436 |
| Other income (deductions): | | |
| Interest and dividend income | 36,837 | 19,454 |
| Interest expense | (1,687) | (1,659) |
| Other, net | 9,261 | 6,464 |
| | 44,411 | 24,259 |
| Ordinary profit | 249,348 | 236,695 |
| Non-ordinary gain (loss), net | (7,326) | (1,302) |
| Income before income taxes | 242,022 | 235,393 |
| Income taxes | 66,551 | 65,010 |
| Net income | ¥ 175,471 | ¥ 170,383 |

Notes: Royalty income originally included in Other income was reclassified into Net Sales this year and corresponding amount of last year has been reclassified to conform with current year presentation.

CANON INC.

NON-CONSOLIDATED

12. NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Parent company only)

Year ended December 31, 2014

(Millions of yen)

| Stockholders equity | | | | | Valuation and translation adjustments | | | | |
|---------------------|----------------------------------|--|------------------|-----------------------------------|---------------------------------------|---------------------------|---|-------------------------------------|------|
| Retained earnings | | | | | Treasury stock | Total stockholders equity | Net unrealized gains (losses) on securities | Net deferred profit (loss) on hedge | |
| 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 | ¥ (1 |
| | | 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) | | | 541 |
| 88 | ¥ 22,114 | ¥ | 341 | ¥ | 3,693 | ¥ 1,249,928 | ¥ 692,960 | ¥ (1,011,418) | ¥ 1,438,668 | ¥ |
| | | | | | | | | | ¥ | 7,780 |

CANON INC.

NON-CONSOLIDATED

Year ended December 31, 2013

(Millions of yen)

| Stockholders' equity | | | | | Valuation and translation adjustments | | | | |
|----------------------|----------------------------------|--|------------------|-----------------------------------|---------------------------------------|----------------------------|---|-------------------------------------|-------|
| Retained earnings | | | | | Treasury stock | Total stockholders' equity | Net unrealized gains (losses) on securities | Net deferred profit (loss) on hedge | |
| Legal reserve | Reserve for special depreciation | Reserve for deferral of capital gain on property | Special reserves | Retained earnings brought forward | | | | | |
| 8 | ¥ 22,114 | ¥ 434 | ¥ 3,089 | ¥ 1,249,928 | ¥ 649,056 | ¥ (811,673) | ¥ 1,593,998 | ¥ 699 | ¥ (2) |
| | | | | | | | - | | |
| | | | | | | | - | | |

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(140)

386 (386) -

(106) 106 -

(155,627) (155,627)

170,383 170,383

(50,043) (50,043)

(7) 50 43

- 6,540

(140) 280 - 14,609 (49,993) (35,244) 6,540

8 ¥ 22,114 ¥ 294 ¥ 3,369 ¥ 1,249,928 ¥ 663,665 ¥ (861,666) ¥ 1,558,754 ¥ 7,239 ¥ (1

CANON INC.

NON-CONSOLIDATED

13. NOTE FOR GOING CONCERN ASSUMPTION

(Parent company only)

Not applicable.

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(Current Titles are Shown in the Parentheses)

Effective Date: March 27, 2015

Directors

(1) Candidate for Directors to be promoted

Managing Director Yasuhiro Tani (Group Executive of Digital System Technology Development Headquarters)

(2) Candidate for new Director to be appointed

Masaaki Nakamura (Executive Officer, Deputy Group Executive of Human Resources Management & Organization Headquarters)

(3) Directors to be retired

Special Advisor to be appointed Toshiaki Ikoma (Executive Vice President & CTO)

Advisor to be appointed Yasuo Mitsuhashi (Senior Managing Director)

Audit & Supervisory Board Member Kazuto Ono (Director)

to be appointed

(4) Candidate for new Audit & Supervisory Board Member to be appointed

Kazuto Ono (Director, Group Executive of Corporate Planning Development Headquarters)

(5) Audit & Supervisory Board Member to be retired

Advisor to be appointed Kengo Uramoto

(Current Titles are Shown in the Parentheses)

Executive Officers

(1) New Executive Officers to be appointed

Effective date: April 1, 2015

| | |
|--------------------|--|
| Takanobu Nakamasu | (President of Canon Australia Pty. Ltd.) |
| Soichi Hiramatsu | (Deputy Group Executive of Procurement Headquarters) |
| Toshihiko Kusumoto | (Deputy Chief Executive of Office Imaging Products Operations) |
| Shunsuke Inoue | (Deputy Group Executive of Device Technology Development Headquarters) |
| Takayuki Miyamoto | (Deputy Group Executive of Peripheral Products Operations) |
| Akiko Tanaka | (Sr. Director of Corporate Planning Div. , Canon U.S.A., Inc.) |

(2) Executive Officer to be retired

Effective date: March 27, 2015

| | |
|------------------|--|
| Masaaki Nakamura | (Deputy Group Executive of Human Resources Management & Organization Headquarters) |
|------------------|--|

January 28, 2015

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER

AND THE FISCAL YEAR ENDED DECEMBER 31, 2014

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.

| | 2014 | | 2013 | | (Millions of yen) Change year over year | |
|---|-------------|-----------|-------------|-----------|--|--------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| 1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2014) | | | | | | |
| Japan | | | | | | |
| Office | 97,336 | 380,594 | 97,488 | 368,308 | -0.2% | +3.3% |
| Imaging System | 70,815 | 207,281 | 76,103 | 215,970 | -6.9% | -4.0% |
| Industry and Others | 39,603 | 136,442 | 38,932 | 131,585 | +1.7% | +3.7% |
| Total | 207,754 | 724,317 | 212,523 | 715,863 | -2.2% | +1.2% |
| Overseas | | | | | | |
| Office | 467,013 | 1,695,194 | 423,795 | 1,625,590 | +10.2% | +4.3% |
| Imaging System | 331,143 | 1,135,220 | 339,900 | 1,232,216 | -2.6% | -7.9% |
| Industry and Others | 54,026 | 172,521 | 58,480 | 157,711 | -7.6% | +9.4% |
| Total | 852,182 | 3,002,935 | 822,175 | 3,015,517 | +3.6% | -0.4% |
| Americas | | | | | | |
| Office | 183,816 | 656,783 | 158,481 | 629,472 | +16.0% | +4.3% |
| Imaging System | 113,156 | 345,707 | 118,193 | 392,373 | -4.3% | -11.9% |
| Industry and Others | 12,883 | 34,010 | 11,066 | 37,656 | +16.4% | -9.7% |
| Total | 309,855 | 1,036,500 | 287,740 | 1,059,501 | +7.7% | -2.2% |
| Europe | | | | | | |
| Office | 191,573 | 689,275 | 188,760 | 694,563 | +1.5% | -0.8% |
| Imaging System | 109,440 | 367,050 | 122,291 | 404,390 | -10.5% | -9.2% |
| Industry and Others | 11,362 | 34,159 | 8,616 | 25,976 | +31.9% | +31.5% |
| Total | 312,375 | 1,090,484 | 319,667 | 1,124,929 | -2.3% | -3.1% |
| Asia and Oceania | | | | | | |
| Office | 91,624 | 349,136 | 76,554 | 301,555 | +19.7% | +15.8% |
| Imaging System | 108,547 | 422,463 | 99,416 | 435,453 | +9.2% | -3.0% |
| Industry and Others | 29,781 | 104,352 | 38,798 | 94,079 | -23.2% | +10.9% |
| Total | 229,952 | 875,951 | 214,768 | 831,087 | +7.1% | +5.4% |
| Intersegment | | | | | | |
| Office | 464 | 2,944 | 687 | 6,175 | -32.5% | -52.3% |
| Imaging System | 207 | 693 | 178 | 752 | +16.3% | -7.8% |
| Industry and Others | 23,066 | 89,802 | 21,369 | 85,574 | +7.9% | +4.9% |
| Eliminations | (23,737) | (93,439) | (22,234) | (92,501) | - | - |
| Total | 0 | 0 | 0 | 0 | - | - |
| Total | | | | | | |
| Office | 564,813 | 2,078,732 | 521,970 | 2,000,073 | +8.2% | +3.9% |
| Imaging System | 402,165 | 1,343,194 | 416,181 | 1,448,938 | -3.4% | -7.3% |
| Industry and Others | 116,695 | 398,765 | 118,781 | 374,870 | -1.8% | +6.4% |
| Eliminations | (23,737) | (93,439) | (22,234) | (92,501) | - | - |
| Total | 1,059,936 | 3,727,252 | 1,034,698 | 3,731,380 | +2.4% | -0.1% |

2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2015/Projection)**(1) Sales by business unit**

| | 2015 (P) | 2014 | (Millions of yen) Change year over year |
|---------------------|-----------|-----------|--|
| | Year | Year | Year |
| Office | 2,177,000 | 2,078,732 | +4.7% |
| Imaging System | 1,399,000 | 1,343,194 | +4.2% |
| Industry and Others | 416,700 | 398,765 | +4.5% |
| Eliminations | (92,700) | (93,439) | - |
| Total | 3,900,000 | 3,727,252 | +4.6% |

(P)=Projection

(2) Sales by region

| | 2015 (P) | 2014 | (Millions of yen) Change year over year |
|------------------|-----------|-----------|--|
| | Year | Year | Year |
| Japan | 729,700 | 724,317 | +0.7% |
| Overseas | 3,170,300 | 3,002,935 | +5.6% |
| Americas | 1,153,900 | 1,036,500 | +11.3% |
| Europe | 1,041,100 | 1,090,484 | -4.5% |
| Asia and Oceania | 975,300 | 875,951 | +11.3% |
| Total | 3,900,000 | 3,727,252 | +4.6% |

(P)=Projection

3. SEGMENT INFORMATION BY BUSINESS UNIT (2014)

| | 2014 | | 2013 | | (Millions of yen) Change year over year | |
|-----------------------------------|-------------|-----------|-------------|-----------|--|--------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| | | | | | | |
| Office | | | | | | |
| External customers | 564,349 | 2,075,788 | 521,283 | 1,993,898 | +8.3% | +4.1% |
| Intersegment | 464 | 2,944 | 687 | 6,175 | -32.5% | -52.3% |
| Total sales | 564,813 | 2,078,732 | 521,970 | 2,000,073 | +8.2% | +3.9% |
| Operating profit | 73,589 | 292,057 | 63,551 | 266,908 | +15.8% | +9.4% |
| % of sales | 13.0% | 14.0% | 12.2% | 13.3% | - | - |
| Imaging System | | | | | | |
| External customers | 401,958 | 1,342,501 | 416,003 | 1,448,186 | -3.4% | -7.3% |
| Intersegment | 207 | 693 | 178 | 752 | +16.3% | -7.8% |
| Total sales | 402,165 | 1,343,194 | 416,181 | 1,448,938 | -3.4% | -7.3% |
| Operating profit | 58,267 | 194,601 | 62,096 | 203,794 | -6.2% | -4.5% |
| % of sales | 14.5% | 14.5% | 14.9% | 14.1% | - | - |
| Industry and Others | | | | | | |
| External customers | 93,629 | 308,963 | 97,412 | 289,296 | -3.9% | +6.8% |
| Intersegment | 23,066 | 89,802 | 21,369 | 85,574 | +7.9% | +4.9% |
| Total sales | 116,695 | 398,765 | 118,781 | 374,870 | -1.8% | +6.4% |
| Operating profit | (6,741) | (21,801) | (3,827) | (25,331) | - | - |
| % of sales | -5.8% | -5.5% | -3.2% | -6.8% | - | - |
| Corporate and Eliminations | | | | | | |
| External customers | - | - | - | - | - | - |
| Intersegment | (23,737) | (93,439) | (22,234) | (92,501) | - | - |
| Total sales | (23,737) | (93,439) | (22,234) | (92,501) | - | - |
| Operating profit | (26,646) | (101,368) | (28,280) | (108,094) | - | - |
| Consolidated | | | | | | |
| External customers | 1,059,936 | 3,727,252 | 1,034,698 | 3,731,380 | +2.4% | -0.1% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 1,059,936 | 3,727,252 | 1,034,698 | 3,731,380 | +2.4% | -0.1% |
| Operating profit | 98,469 | 363,489 | 93,540 | 337,277 | +5.3% | +7.8% |
| % of sales | 9.3% | 9.8% | 9.0% | 9.0% | - | - |

4. OTHER INCOME / DEDUCTIONS (2014)

| | 2014 | | 2013 | | (Millions of yen) Change year over year | |
|---|-------------|--------|-------------|---------|--|--------|
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| | | | | | | |
| Interest and dividend, net | 2,017 | 7,406 | 2,147 | 6,029 | (130) | +1,377 |
| Forex gain (loss) | 4,599 | 2,628 | 4,091 | (1,992) | +508 | +4,620 |
| Equity earnings (loss) of affiliated companies | 168 | 478 | (308) | (664) | +476 | +1,142 |
| Other, net | 1,656 | 9,238 | 955 | 6,954 | +701 | +2,284 |
| Total | 8,440 | 19,750 | 6,885 | 10,327 | +1,555 | +9,423 |

| 5. SEGMENT INFORMATION BY BUSINESS UNIT (2015/Projection) | (Millions of yen) | | |
|---|-------------------|--------------|-------------------------------|
| | 2015 (P) Year | 2014 Year | Change year over year Year |
| Office | | | |
| External customers | 2,172,200 | 2,075,788 | +4.6% |
| Intersegment | 4,800 | 2,944 | +63.0% |
| Total sales | 2,177,000 | 2,078,732 | +4.7% |
| Operating profit | 307,200 | 292,057 | +5.2% |
| % of sales | 14.1% | 14.0% | - |
| Imaging System | | | |
| External customers | 1,398,200 | 1,342,501 | +4.1% |
| Intersegment | 800 | 693 | +15.4% |
| Total sales | 1,399,000 | 1,343,194 | +4.2% |
| Operating profit | 225,400 | 194,601 | +15.8% |
| % of sales | 16.1% | 14.5% | - |
| Industry and Others | | | |
| External customers | 329,600 | 308,963 | +6.7% |
| Intersegment | 87,100 | 89,802 | -3.0% |
| Total sales | 416,700 | 398,765 | +4.5% |
| Operating profit | (32,000) | (21,801) | - |
| % of sales | -7.7% | -5.5% | - |
| Corporate and Eliminations | | | |
| External customers | - | - | - |
| Intersegment | (92,700) | (93,439) | - |
| Total sales | (92,700) | (93,439) | - |
| Operating profit | (120,600) | (101,368) | - |
| Consolidated | | | |
| External customers | 3,900,000 | 3,727,252 | +4.6% |
| Intersegment | - | - | - |
| Total sales | 3,900,000 | 3,727,252 | +4.6% |
| Operating profit | 380,000 | 363,489 | +4.5% |
| % of sales | 9.7% | 9.8% | - |

(P)=Projection

| 6. OTHER INCOME / DEDUCTIONS (2015/Projection) | (Millions of yen) | | |
|--|-------------------|--------------|-------------------------------|
| | 2015 (P) Year | 2014 Year | Change year over year Year |
| Interest and dividend, net | 3,800 | 7,406 | (3,606) |
| Forex gain (loss) | (4,600) | 2,628 | (7,228) |
| Equity earnings of affiliated companies | 1,000 | 478 | +522 |
| Other, net | 9,800 | 9,238 | +562 |
| Total | 10,000 | 19,750 | (9,750) |

(P)=Projection

7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2015 (P) | 2014 | | 2013 | |
|----------------------------|----------|-------------|------|-------------|------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Office | | | | | |
| Monochrome copiers | 16% | 15% | 16% | 16% | 16% |
| Color copiers | 20% | 21% | 19% | 20% | 19% |
| Printers | 41% | 40% | 42% | 39% | 42% |
| Others | 23% | 24% | 23% | 25% | 23% |
| Imaging System | | | | | |
| Cameras | 64% | 63% | 64% | 65% | 67% |
| Inkjet printers | 28% | 29% | 27% | 27% | 25% |
| Others | 8% | 8% | 9% | 8% | 8% |
| Industry and Others | | | | | |
| Lithography equipment | 25% | 21% | 23% | 30% | 17% |
| Others | 75% | 79% | 77% | 70% | 83% |

(P)=Projection

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

| | 2015 (P) | 2014 | |
|----------------------------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| Office | | | |
| Japan | - | -0.2% | +3.3% |
| Overseas | - | -0.5% | -3.5% |
| Total | -1.0% | -0.5% | -2.4% |
| Imaging System | | | |
| Japan | - | -6.9% | -4.0% |
| Overseas | - | -11.6% | -14.6% |
| Total | -1.8% | -10.7% | -13.1% |
| Industry and Others | | | |
| Japan | - | +1.7% | +3.7% |
| Overseas | - | -12.4% | +5.3% |
| Total | +3.1% | -4.1% | +4.6% |
| Total | | | |
| Japan | +0.7% | -2.2% | +1.2% |
| Overseas | -1.2% | -5.9% | -7.6% |

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| | | | |
|---------------------|-------|-------|--------|
| Americas | -1.3% | -5.7% | -9.9% |
| Europe | -3.0% | -7.7% | -10.3% |
| Asia and Oceania | +1.1% | -3.5% | -0.9% |
| Total | -0.8% | -5.2% | -5.9% |

(P)=Projection

- S5 -

9. PROFITABILITY

| | 2015 (P) | 2014 | 2013 |
|--------|----------|------|------|
| | Year | Year | Year |
| ROE *1 | 8.6% | 8.7% | 8.4% |
| ROA *2 | 5.8% | 5.9% | 5.6% |

(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**

| | 2015 (P) | 2014 | 2013 | | |
|----------|----------|-------------|--------|-------------|--------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Yen/US\$ | 120.00 | 114.78 | 106.18 | 100.50 | 97.84 |
| Yen/Euro | 135.00 | 143.41 | 140.62 | 136.69 | 130.01 |

(P)=Projection

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

| | 2015 (P) | 2014 | |
|------------------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| US\$ | +171.8 | +51.6 | +98.2 |
| Euro | (39.9) | +11.7 | +66.8 |
| Other currencies | +35.2 | +8.9 | +21.0 |
| Total | +167.1 | +72.2 | +186.0 |

(P)=Projection

(3) Impact of foreign exchange rates on expenses

2015 (P)

Year

| | |
|---------------------|------|
| On sales | |
| US\$ | 15.8 |
| Euro | 6.5 |
| On operating profit | |
| US\$ | 5.7 |
| Euro | 2.9 |

(P)=Projection

11. STATEMENTS OF CASH FLOWS

(Millions of yen)

| | 2015 (P) | | 2014 | | 2013 |
|--|-----------|-------------|-----------|-------------|-----------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Net cash provided by operating activities | 515,000 | 185,377 | 583,927 | 164,316 | 507,642 |
| Net cash used in investing activities | (305,000) | (37,908) | (269,298) | (42,603) | (250,212) |
| Free cash flow | 210,000 | 147,469 | 314,629 | 121,713 | 257,430 |
| Net cash used in financing activities | (175,800) | (50,185) | (300,886) | (10,114) | (222,181) |
| Effect of exchange rate changes on cash and cash equivalents | (18,800) | 39,970 | 41,928 | 36,789 | 86,982 |
| Net change in cash and cash equivalents | 15,400 | 137,254 | 55,671 | 148,388 | 122,231 |
| Cash and cash equivalents at end of period | 860,000 | 844,580 | 844,580 | 788,909 | 788,909 |

(P)=Projection

Canon Inc.

12. R&D EXPENDITURE

| | (Millions of yen) | | |
|----------------------------|-------------------|---------|---------|
| | 2015 (P) | 2014 | 2013 |
| | Year | Year | Year |
| Office | - | 104,391 | 105,246 |
| Imaging System | - | 87,510 | 84,377 |
| Industry and Others | - | 26,516 | 25,701 |
| Corporate and Eliminations | - | 90,562 | 91,000 |
| Total | 320,000 | 308,979 | 306,324 |
| % of sales | 8.2% | 8.3% | 8.2% |

(P)=Projection

13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

| | (Millions of yen) | | |
|--------------------------------------|-------------------|---------|---------|
| | 2015 (P) | 2014 | 2013 |
| | Year | Year | Year |
| Increase in PP&E | | | |
| Office | - | 65,662 | 51,457 |
| Imaging System | - | 29,200 | 41,853 |
| Industry and Others | - | 13,856 | 25,662 |
| Corporate and Eliminations | - | 73,625 | 69,854 |
| Total | 205,000 | 182,343 | 188,826 |
| Depreciation and amortization | | | |
| Office | - | 87,058 | 88,344 |
| Imaging System | - | 53,912 | 56,564 |
| Industry and Others | - | 37,544 | 37,072 |
| Corporate and Eliminations | - | 84,966 | 93,193 |
| Total | 275,000 | 263,480 | 275,173 |

(P)=Projection

14. INVENTORIES**(1) Inventories**

| | (Millions of yen) | | |
|---------------------|-------------------|---------|------------|
| | 2014 | 2013 | |
| | Dec.31 | Dec.31 | Difference |
| Office | 238,344 | 227,413 | +10,931 |
| Imaging System | 168,802 | 221,368 | (52,566) |
| Industry and Others | 121,021 | 104,992 | +16,029 |
| Total | 528,167 | 553,773 | (25,606) |

(2) Inventories/Sales*

| | (Days) | | |
|---------------------|--------|--------|------------|
| | 2014 | 2013 | |
| | Dec.31 | Dec.31 | Difference |
| Office | 42 | 41 | +1 |
| Imaging System | 43 | 53 | (10) |
| Industry and Others | 132 | 115 | +17 |
| Total | 50 | 52 | (2) |

*Index based on the previous six months sales.

15. DEBT RATIO

| | 2014 Dec.31 | 2013 Dec.31 | Difference |
|---------------------------|----------------|----------------|------------|
| Total debt / Total assets | 0.0% | 0.1% | -0.1% |

16. OVERSEAS PRODUCTION RATIO

| | 2014 Year | 2013 Year |
|---------------------------|--------------|--------------|
| Overseas production ratio | 60% | 57% |

17. NUMBER OF EMPLOYEES

| | 2014 Dec.31 | 2013 Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan | 69,201 | 69,825 | (624) |
| Overseas | 122,688 | 124,326 | (1,638) |
| Total | 191,889 | 194,151 | (2,262) |