

CANON INC
Form 6-K
October 26, 2012

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 . **October**

2012

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 . **October 26, 2012**

By /s/ Toshihide Aoki
(Signature)*

Toshihide Aoki
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. CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2012

CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2012

October 25, 2012

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

| | Actual | | | |
|---|---|---|-----------|---|
| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Change(%) | Three months ended September 30, 2012 |
| Net sales | ¥ 799,949 | ¥ 916,911 | - 12.8 | \$ 10,255,756 |
| Operating profit | 70,877 | 122,548 | - 42.2 | 908,679 |
| Income before income taxes | 75,180 | 118,265 | - 36.4 | 963,846 |
| Net income attributable to Canon Inc. | ¥ 50,139 | ¥ 77,864 | - 35.6 | \$ 642,808 |
| Net income attributable to Canon Inc. stockholders per share: | | | | |
| - Basic | ¥ 43.15 | ¥ 64.43 | - 33.0 | \$ 0.55 |
| - Diluted | 43.15 | 64.42 | - 33.0 | 0.55 |

CONSOLIDATED RESULTS FOR THE NINE MONTHS

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

| | Actual | | | Projected | | |
|---|---|---|-----------|--|-------------------------------------|-----------|
| | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Change(%) | Nine months ended September 30, 2012 | Year ending December 31, 2012 | Change(%) |
| Net sales | ¥ 2,528,394 | ¥ 2,592,676 | - 2.5 | \$ 32,415,308 | ¥ 3,532,000 | - 0.7 |
| Operating profit | 246,152 | 283,461 | - 13.2 | 3,155,795 | 356,000 | - 5.8 |
| Income before income taxes | 253,449 | 281,924 | - 10.1 | 3,249,346 | 364,000 | - 2.8 |
| Net income attributable to Canon Inc. | ¥ 163,391 | ¥ 187,187 | - 12.7 | \$ 2,094,756 | ¥ 234,000 | - 5.9 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | | |
| - Basic | ¥ 138.48 | ¥ 153.42 | - 9.7 | \$ 1.78 | ¥ 202.99 | - 0.7 |
| - Diluted | 138.47 | 153.41 | - 9.7 | 1.78 | - | - |

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| | As of September 30, 2012 | Actual As of December 31, 2011 | Change(%) | As of September 30, 2012 |
|---------------------------------------|---|---|------------------|---|
| Total assets | ¥ 3,728,388 | ¥ 3,930,727 | - 5.1 | \$ 47,799,846 |
| Canon Inc. stockholders equity | ¥ 2,427,216 | ¥ 2,551,132 | - 4.9 | \$ 31,118,154 |

- 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 JPY78=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 28, 2012, 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

2012 Third Quarter in Review

Looking back at the global economy in the third quarter of 2012, in the United States, with little improvement in employment conditions and housing issues, the pace of economic recovery remained moderate, while in Europe lingering concerns over the financial crisis in Southern European nations continued to severely impact the real economy. In China and India, in addition to declines in export growth, investment and consumer spending also experienced a slowdown. And in Japan, domestic demand, which had been steady, started showing signs of weakening. As for the global economy overall, the slowdown was felt more intensely.

As for the markets in which Canon operates amid these conditions, while demand for office multifunction devices (MFDs) continued to grow steadily in Japan and elsewhere, demand for laser printers leveled off, primarily in Europe, owing to the economic downturn. Demand for interchangeable-lens digital cameras continued to realize robust growth in all regions while the market for compact digital cameras shrunk due to the stagnation of the global economy. Demand for inkjet printers on the whole also declined due to the effects of the economy. Within the industry and other segment, amid a growing sense of uncertainty regarding semiconductor lithography equipment, demand for flat-panel-display lithography equipment for large-size LCD panels remained sluggish.

The average values of the yen during the third quarter and first nine months of the year were ¥78.58 and ¥79.48 to the U.S. dollar, respectively, a year-on-year depreciation of approximately ¥1 and appreciation of approximately ¥1 and ¥98.48 and ¥101.83 to the euro, respectively, year-on-year appreciations of approximately ¥12 and ¥11.

Although Canon continued efforts to expand sales, mainly for competitively priced products such as interchangeable-lens digital cameras and office equipment, amid the negative impact of economic deterioration, mainly in Europe and emerging markets such as China, and the sharp appreciation of the yen, third-quarter net sales totaled ¥799.9 billion (U.S.\$10,256 million), a decrease of 12.8% from the year-ago period. Net sales for the nine months ended September 30, 2012 totaled ¥2,528.4 billion (U.S.\$32,415 million), a year-on-year decrease of 2.5%. Despite the positive effects of ongoing cost-cutting efforts, the gross profit ratio for the third quarter declined by 1.1 points to 48.3% from the year-ago period due to the significant impact of the strong yen and product mix. The gross profit ratio for the first nine months of the year also declined by 1.1 points to 48.2%. Owing to Group-wide efforts to thoroughly reduce spending, operating expenses for the third quarter decreased by ¥14.1 billion (U.S.\$181 million) from the corresponding period of the previous year while operating expenses for the first nine months of the year decreased by ¥22.4 billion (U.S.\$287 million). Consequently, third-quarter operating profit decreased by 42.2% to ¥70.9 billion (U.S.\$909 million) while operating profit for the nine-month period decreased by 13.2% to ¥246.2 billion (U.S.\$3,156 million). Other income (deductions) recorded a positive turnaround of ¥8.6 billion (U.S.\$110 million) for the third quarter from the year-ago period, mainly reflecting an improvement in foreign currency exchange gains and losses, while income before income taxes decreased by 36.4% year on year to ¥75.2 billion (U.S.\$964 million). For the nine months ended September 30, 2012, other income (deductions) recorded an increase of ¥8.8 billion (U.S.\$113 million) from the year-ago period, also due to foreign currency exchange gains and losses, and income before income taxes decreased by 10.1% year on year to ¥253.4 billion (U.S.\$3,249 million). Net income attributable to Canon Inc. decreased by 35.6% to ¥50.1 billion (U.S.\$643 million) for the third quarter and decreased by 12.7% to ¥163.4 billion (U.S.\$2,095 million) for the first nine months of the year.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥43.15 (U.S.\$0.55), a decrease of ¥21.28 (U.S.\$0.27) compared with the corresponding quarter of the previous year, and ¥138.48 (U.S.\$1.78) for the first nine months of 2012, a year-on-year decrease of ¥14.94 (U.S.\$0.19).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, although sales volumes of MFDs increased in Japan thanks to strong sales of imageRUNNER ADVANCE-series office systems, sluggish sales in Europe and Asia led to a slight decrease in sales overall compared with the year-ago period, while sales of Océ VarioPrint-series black-and-white production printers, which were jointly developed by Canon and Océ based on an Océ engine, contributed to increased sales in Europe and the United States. As for laser printers, sales volumes declined in Europe, the United States and Asia from the corresponding period of the previous year due to deterioration in business sentiment. Consequently, combined with the appreciation of the yen, third-quarter sales for the segment totaled ¥409.4 billion (U.S.\$5,248 million), declining 13.4% year on year. Likewise, operating profit for the quarter decreased by 39.3% to ¥41.1 billion (U.S.\$528 million). Sales for the combined first nine months of the year totaled ¥1,301.3 billion (U.S.\$16,683 million), decreasing 8.3% year on year, while operating profit declined by 20.1% to ¥152.3 billion (U.S.\$1,953 million).

Within the Imaging System Business Unit, despite efforts to achieve sales growth with the competitively priced EOS Digital Rebel series along with the EOS 5D Mark III and EOS 60D advanced-amateur models, sales volumes of interchangeable-lens digital cameras decreased from the year-ago period due to a delayed new-product launch. As for compact digital cameras, while highly functional PowerShot-series models contributed to healthy sales, unit sales for the third quarter declined from the corresponding period of the previous year due to sluggish market demand. With regard to inkjet printers, sales volumes increased from the year-ago period thanks to healthy sales of mid-level and high-end models, mainly in Europe and the United States. Accordingly, third-quarter sales for the Imaging System Business Unit, which were also negatively affected by the strong yen, dropped 7.3% year on year to ¥322.1 billion (U.S.\$4,129 million) while quarterly operating profit decreased by 30.0% to ¥52.6 billion (U.S.\$674 million). Sales for the first nine months totaled ¥995.3 billion (U.S.\$12,760 million), rising 6.0% year on year, while operating profit totaled ¥155.4 billion (U.S.\$1,992 million), a decrease of 3.1% year on year.

Within the Industry and Others Business Unit, among semiconductor lithography equipment, while sales of i-line steppers remained at the same level as the previous year owing to demand for sensors and LED elements, sales volume overall decreased due to restrained capital expenditure for memory devices. As for flat-panel-display lithography equipment, unit sales decreased by half compared with the year-ago period due to sluggish demand for large-size LCD panels. Consequently, third-quarter sales for the segment decreased by 24.9% to ¥92.9 billion (U.S.\$1,192 million), while operating profit totaled ¥5.0 billion (U.S.\$65 million), dropping 44.6% year on year. Sales for the first nine months of the year totaled ¥301.1 billion (U.S.\$3,860 million), a decrease of 1.9% year on year, while operating profit was ¥15.4 billion (U.S.\$197 million), a decrease of 25.2%.

Cash Flow

During the first nine months of 2012, cash flow from operating activities totaled ¥265.8 billion (U.S.\$3,408 million), a decrease of ¥76.8 billion (U.S.\$985 million) compared with the year-ago period, mainly because cash outflow from inventories declined owing to the effects of optimized inventory levels facilitated by the recovery following the previous year's flooding in Thailand.

Due to ongoing capital investment focused on boosting production, cash outflow from investing activities decreased ¥47.0 billion (U.S.\$603 million) year on year, totaling ¥155.0 billion (U.S.\$1,988 million). Accordingly, free cash flow totaled ¥110.8 billion (U.S.\$1,420 million), a decrease of ¥29.8 billion (U.S.\$382 million) from the previous year.

Cash outflow from financing activities recorded an outlay of ¥313.1 billion (U.S.\$4,014 million), an increase of ¥61.5 billion (U.S.\$789 million), arising from repurchases of treasury stock. Owing to these factors, as well as the negative impact of foreign currency translation adjustments, cash and cash equivalents decreased by ¥205.6 billion (U.S.\$2,636 million) year on year to ¥567.6 billion (U.S.\$7,277 million).

Outlook

As for the outlook in the fourth quarter of 2012, the global economy is expected to realize low growth due to the sluggish economies in Europe and slowdown in emerging economies, and also faces further downward risk caused by the delay in taking action in response to the eurozone sovereign debt crisis. The Japanese and U.S. economies are expected to continue recovering modestly owing to growing domestic demand.

In the businesses in which Canon is involved, within the office equipment market, demand for MFDs is projected to grow steadily in Japan and the United States. As for laser printers, forecasts call for challenging conditions amid the negative effects of deteriorating business sentiment. Demand for interchangeable-lens digital cameras is expected to continue increasing across most regions, although prospects remain uncertain in some areas. Demand for compact digital cameras is anticipated to increase for models offering high functionality and high added value. As for inkjet printers, demand is expected to grow toward the end of the year. In the industry and others market, capital investment by memory manufacturers for semiconductor lithography equipment will likely continue to be restrained and demand for flat-panel-display lithography equipment is expected to remain sluggish for the remainder of the year.

With regard to currency exchange rates for the last quarter of 2012, on which Canon's performance outlook is based, despite uncertain prospects for the global economy, Canon anticipates exchange rates of ¥78 to the U.S. dollar and ¥100 to the euro.

Upon taking into consideration the abovementioned foreign exchange rate assumptions and current economic forecasts, Canon projects full-year consolidated net sales of ¥3,532.0 billion (U.S.\$45,282 million), a year-on-year decrease of 0.7%; operating profit of ¥356.0 billion (U.S.\$4,564 million), a year-on-year decrease of 5.8%; income before income taxes of ¥364.0 billion (U.S.\$4,667 million), a year-on-year decrease of 2.8%; and net income attributable to Canon Inc. of ¥234.0 billion (U.S.\$3,000 million), a year-on-year decrease of 5.9%.

Consolidated Outlook

| Fiscal year | Millions of yen | | | | | |
|---------------------------------------|----------------------------------|---------------------|-------------|---------------------------------|-------------|------------|
| | Year ending December 31, 2012 | | Change | Year ended December 31, 2011 | | Change (%) |
| | Previous Outlook (A) | Revised Outlook (B) | (B - A) | Results (C) | (B - C) / C | |
| Net sales | ¥ 3,690,000 | ¥ 3,532,000 | ¥ (158,000) | ¥ 3,557,433 | -0.7% | |
| Operating profit | 390,000 | 356,000 | (34,000) | 378,071 | -5.8% | |
| Income before income taxes | 395,000 | 364,000 | (31,000) | 374,524 | -2.8% | |
| Net income attributable to Canon Inc. | ¥ 250,000 | ¥ 234,000 | ¥ (16,000) | ¥ 248,630 | -5.9% | |

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, plan, project or similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Thousands of U.S. dollars |
|--|--------------------------------|-------------------------------|-------------|--------------------------------|
| | As of September 30, 2012 | As of December 31, 2011 | Change | As of September 30, 2012 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 567,610 | ¥ 773,227 | ¥ (205,617) | \$ 7,277,051 |
| Short-term investments | 48,339 | 125,517 | (77,178) | 619,731 |
| Trade receivables, net | 459,025 | 533,208 | (74,183) | 5,884,936 |
| Inventories | 591,121 | 476,704 | 114,417 | 7,578,474 |
| Prepaid expenses and other current assets | 250,957 | 244,649 | 6,308 | 3,217,398 |
| Total current assets | 1,917,052 | 2,153,305 | (236,253) | 24,577,590 |
| Noncurrent receivables | 18,367 | 16,772 | 1,595 | 235,474 |
| Investments | 53,149 | 51,790 | 1,359 | 681,397 |
| Property, plant and equipment, net | 1,226,589 | 1,190,836 | 35,753 | 15,725,500 |
| Intangible assets, net | 129,457 | 138,030 | (8,573) | 1,659,705 |
| Other assets | 383,774 | 379,994 | 3,780 | 4,920,180 |
| Total assets | ¥ 3,728,388 | ¥ 3,930,727 | ¥ (202,339) | \$ 47,799,846 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 2,309 | ¥ 8,343 | ¥ (6,034) | \$ 29,603 |
| Trade payables | 346,516 | 380,532 | (34,016) | 4,442,513 |
| Accrued income taxes | 48,550 | 45,900 | 2,650 | 622,436 |
| Accrued expenses | 281,918 | 299,422 | (17,504) | 3,614,333 |
| Other current liabilities | 141,078 | 159,651 | (18,573) | 1,808,692 |
| Total current liabilities | 820,371 | 893,848 | (73,477) | 10,517,577 |
| Long-term debt, excluding current installments | 2,121 | 3,368 | (1,247) | 27,192 |
| Accrued pension and severance cost | 250,335 | 249,604 | 731 | 3,209,423 |
| Other noncurrent liabilities | 70,455 | 70,240 | 215 | 903,269 |
| Total liabilities | 1,143,282 | 1,217,060 | (73,778) | 14,657,461 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 2,240,538 |
| Additional paid-in capital | 399,190 | 401,572 | (2,382) | 5,117,821 |
| Legal reserve | 61,234 | 59,004 | 2,230 | 785,051 |
| Retained earnings | 3,078,233 | 3,059,298 | 18,935 | 39,464,526 |
| Accumulated other comprehensive income (loss) | (474,531) | (481,773) | 7,242 | (6,083,731) |

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| | | | | |
|---------------------------------------|--------------------|-------------|-------------|----------------------|
| Treasury stock, at cost | (811,672) | (661,731) | (149,941) | (10,406,051) |
| Total Canon Inc. stockholders' equity | 2,427,216 | 2,551,132 | (123,916) | 31,118,154 |
| Noncontrolling interests | 157,890 | 162,535 | (4,645) | 2,024,231 |
| Total equity | 2,585,106 | 2,713,667 | (128,561) | 33,142,385 |
| Total liabilities and equity | ¥ 3,728,388 | ¥ 3,930,727 | ¥ (202,339) | \$ 47,799,846 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------------|-------------------------|---------------------------|
| | As of September 30, 2012 | As of December 31, 2011 | As of September 30, 2012 |
| Notes: | | | |
| 1. Allowance for doubtful receivables | ¥ 11,190 | ¥ 11,563 | \$ 143,462 |
| 2. Accumulated depreciation | 2,087,108 | 2,038,682 | 26,757,795 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (373,637) | (378,863) | (4,790,218) |
| Net unrealized gains and losses on securities | 1,964 | 1,003 | 25,179 |
| Net gains and losses on derivative instruments | 659 | 455 | 8,449 |
| Pension liability adjustments | (103,517) | (104,368) | (1,327,141) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Thousands of |
|---|---------------------------------------|---------------------------------------|-----------|---------------|
| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Change(%) | U.S. dollars |
| Net sales | ¥ 799,949 | ¥ 916,911 | - 12.8 | \$ 10,255,756 |
| Cost of sales | 413,194 | 464,405 | | 5,297,359 |
| Gross profit | 386,755 | 452,506 | - 14.5 | 4,958,397 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 243,403 | 251,974 | | 3,120,551 |
| Research and development expenses | 72,475 | 77,984 | | 929,167 |
| | 315,878 | 329,958 | | 4,049,718 |
| Operating profit | 70,877 | 122,548 | - 42.2 | 908,679 |
| Other income (deductions): | | | | |
| Interest and dividend income | 1,515 | 2,056 | | 19,423 |
| Interest expense | (138) | (155) | | (1,769) |
| Other, net | 2,926 | (6,184) | | 37,513 |
| | 4,303 | (4,283) | | 55,167 |
| Income before income taxes | 75,180 | 118,265 | - 36.4 | 963,846 |
| Income taxes | 24,021 | 39,733 | | 307,961 |
| Consolidated net income | 51,159 | 78,532 | | 655,885 |
| Less: Net income attributable to noncontrolling interests | 1,020 | 668 | | 13,077 |
| Net income attributable to Canon Inc. | ¥ 50,139 | ¥ 77,864 | - 35.6 | \$ 642,808 |

Results for the nine months

| | Millions of yen | | | Thousands of |
|---------------|--------------------------------------|--------------------------------------|-----------|---------------|
| | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Change(%) | U.S. dollars |
| Net sales | ¥ 2,528,394 | ¥ 2,592,676 | - 2.5 | \$ 32,415,308 |
| Cost of sales | 1,310,820 | 1,315,434 | | 16,805,385 |

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| | | | | |
|---|------------------|-----------|--------|---------------------|
| Gross profit | 1,217,574 | 1,277,242 | - 4.7 | 15,609,923 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 749,594 | 769,623 | | 9,610,179 |
| Research and development expenses | 221,828 | 224,158 | | 2,843,949 |
| | 971,422 | 993,781 | | 12,454,128 |
| Operating profit | 246,152 | 283,461 | - 13.2 | 3,155,795 |
| Other income (deductions): | | | | |
| Interest and dividend income | 5,089 | 5,816 | | 65,244 |
| Interest expense | (513) | (827) | | (6,577) |
| Other, net | 2,721 | (6,526) | | 34,884 |
| | 7,297 | (1,537) | | 93,551 |
| Income before income taxes | 253,449 | 281,924 | - 10.1 | 3,249,346 |
| Income taxes | 85,524 | 91,992 | | 1,096,461 |
| Consolidated net income | 167,925 | 189,932 | | 2,152,885 |
| Less: Net income attributable to noncontrolling interests | 4,534 | 2,745 | | 58,129 |
| Net income attributable to Canon Inc. | ¥ 163,391 | ¥ 187,187 | - 12.7 | \$ 2,094,756 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Thousands of U.S. dollars |
|---|--------------------------|-----------------------|-----------|------------------------------|
| | Three months ended | Three months ended | Change(%) | Three months ended |
| | September 30, 2012 | September 30, 2011 | | September 30, 2012 |
| Consolidated net income | ¥ 51,159 | ¥ 78,532 | - 34.9 | \$ 655,885 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | (1,734) | (78,847) | | (22,231) |
| Net unrealized gains and losses on securities | (61) | (2,976) | | (782) |
| Net gains and losses on derivative instruments | (654) | 1,528 | | (8,385) |
| Pension liability adjustments | 361 | 40 | | 4,628 |
| | (2,088) | (80,255) | | (26,770) |
| Comprehensive income(loss) | 49,071 | (1,723) | - | 629,115 |
| Less: Comprehensive income(loss) attributable to noncontrolling interests | 1,241 | (518) | | 15,910 |
| Comprehensive income(loss) attributable to Canon Inc. | ¥ 47,830 | ¥ (1,205) | - | \$ 613,205 |

Results for the nine months

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-------------------------|----------------------|-----------|------------------------------|
| | Nine months ended | Nine months ended | Change(%) | Nine months ended |
| | September 30, 2012 | September 30, 2011 | | September 30, 2012 |
| Consolidated net income | ¥ 167,925 | ¥ 189,932 | - 11.6 | \$ 2,152,885 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | 6,632 | (58,330) | | 85,026 |
| Net unrealized gains and losses on securities | 928 | (4,112) | | 11,897 |
| Net gains and losses on derivative instruments | 243 | 1,170 | | 3,115 |
| Pension liability adjustments | 949 | 1,501 | | 12,167 |
| | 8,752 | (59,771) | | 112,205 |
| Comprehensive income | 176,677 | 130,161 | + 35.7 | 2,265,090 |
| Less: Comprehensive income attributable to noncontrolling interests | 4,777 | 2,687 | | 61,244 |
| Comprehensive income attributable to Canon Inc. | ¥ 171,900 | ¥ 127,474 | + 34.9 | \$ 2,203,846 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| <u>Results for the third quarter</u> | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------------|---------------------------------------|---------------------------------------|-----------|---------------------------------------|
| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Change(%) | Three months ended September 30, 2012 |
| Sales by business unit | | | | |
| Office | ¥ 409,351 | ¥ 472,941 | - 13.4 | \$ 5,248,090 |
| Imaging System | 322,086 | 347,442 | - 7.3 | 4,129,308 |
| Industry and Others | 92,942 | 123,784 | - 24.9 | 1,191,564 |
| Eliminations | (24,430) | (27,256) | - | (313,206) |
| Total | ¥ 799,949 | ¥ 916,911 | - 12.8 | \$ 10,255,756 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars |
|-------------------------|---------------------------------------|---------------------------------------|-----------|---------------------------------------|
| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Change(%) | Three months ended September 30, 2012 |
| Japan | ¥ 165,759 | ¥ 169,526 | - 2.2 | \$ 2,125,115 |
| Overseas: | | | | |
| <i>Americas</i> | 219,993 | 240,598 | - 8.6 | 2,820,423 |
| <i>Europe</i> | 221,740 | 273,823 | - 19.0 | 2,842,821 |
| <i>Asia and Oceania</i> | 192,457 | 232,964 | - 17.4 | 2,467,397 |
| | 634,190 | 747,385 | - 15.1 | 8,130,641 |
| Total | ¥ 799,949 | ¥ 916,911 | - 12.8 | \$ 10,255,756 |

| <u>Results for the nine months</u> | Millions of yen | | | Thousands of U.S. dollars |
|------------------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|
| | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Change(%) | Nine months ended September 30, 2012 |
| Sales by business unit | | | | |
| Office | ¥ 1,301,252 | ¥ 1,419,602 | - 8.3 | \$ 16,682,718 |
| Imaging System | 995,296 | 939,279 | + 6.0 | 12,760,205 |
| Industry and Others | 301,072 | 306,833 | - 1.9 | 3,859,897 |
| Eliminations | (69,226) | (73,038) | - | (887,512) |
| Total | ¥ 2,528,394 | ¥ 2,592,676 | - 2.5 | \$ 32,415,308 |

Millions of yen
Thousands of U.S. dollars

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| Sales by region | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Change(%) | Nine months ended September 30, 2012 |
|-------------------------|---|---|------------------|---|
| Japan | ¥ 521,483 | ¥ 493,130 | + 5.7 | \$ 6,685,679 |
| Overseas: | | | | |
| <i>Americas</i> | 673,521 | 687,651 | - 2.1 | 8,634,885 |
| <i>Europe</i> | 725,129 | 822,417 | - 11.8 | 9,296,526 |
| <i>Asia and Oceania</i> | 608,261 | 589,478 | + 3.2 | 7,798,218 |
| | 2,006,911 | 2,099,546 | - 4.4 | 25,729,629 |
| Total | ¥ 2,528,394 | ¥ 2,592,676 | - 2.5 | \$ 32,415,308 |

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

Office Business Unit : Office multifunction devices (MFDs) / Office copying machines / Personal-use copying machines / Laser MFDs / Laser printers / Digital production printing systems / High speed continuous feed printers / Wide-format printers / Document solution

Imaging System Business Unit *: Interchangeable-lens digital cameras / Compact digital cameras / Digital camcorders / Digital cinema cameras / Interchangeable lenses / Inkjet printers / Large-format inkjet printers / Commercial photo printers / Image scanners / Broadcast equipment / Calculators

Industry and Others Business Unit : Semiconductor lithography equipment / Flat-panel-display lithography equipment / Digital radiography systems / Ophthalmic equipment / Vacuum thin-film deposition equipment / Organic LED panel manufacturing equipment / Micromotors / Computers / Handy terminals / Document scanners

* The Consumer Business Unit has been renamed the Imaging System Business Unit .

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

Americas: United States of America, Canada, Latin America

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

Asia and Oceania: China, Asian countries, Australia

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|--|--|
| | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Nine months ended September 30, 2012 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 167,925 | ¥ 189,932 | \$ 2,152,885 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 185,228 | 190,528 | 2,374,718 |
| Loss on disposal of fixed assets | 9,582 | 6,946 | 122,846 |
| Deferred income taxes | (963) | (8,017) | (12,346) |
| Decrease in trade receivables | 73,160 | 62,847 | 937,949 |
| Increase in inventories | (113,366) | (151,547) | (1,453,410) |
| Increase (decrease) in trade payables | (29,573) | 71,560 | (379,141) |
| Increase (decrease) in accrued income taxes | 2,649 | (3,242) | 33,962 |
| Increase (decrease) in accrued expenses | (17,590) | 17,475 | (225,513) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | 2,621 | (941) | 33,603 |
| Other, net | (13,858) | (32,958) | (177,668) |
| Net cash provided by operating activities | 265,815 | 342,583 | 3,407,885 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (233,415) | (159,319) | (2,992,500) |
| Proceeds from sale of fixed assets | 2,442 | 2,695 | 31,308 |
| Purchases of available-for-sale securities | (300) | (1,939) | (3,846) |
| Proceeds from sale and maturity of available-for-sale securities | 223 | 1,586 | 2,859 |
| (Increase) decrease in time deposits, net | 79,312 | (57,144) | 1,016,821 |
| Acquisitions of subsidiaries, net of cash acquired | (704) | 17 | (9,026) |
| Purchases of other investments | (796) | (147) | (10,205) |
| Other, net | (1,795) | 12,251 | (23,014) |
| Net cash used in investing activities | (155,033) | (202,000) | (1,987,603) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 389 | 712 | 4,987 |
| Repayments of long-term debt | (3,632) | (4,053) | (46,564) |
| Increase (decrease) in short-term loans, net | (4,547) | 7,479 | (58,295) |
| Dividends paid | (142,362) | (152,784) | (1,825,154) |
| Repurchases of treasury stock, net | (149,966) | (99,835) | (1,922,641) |
| Other, net | (12,992) | (3,088) | (166,564) |
| Net cash used in financing activities | (313,110) | (251,569) | (4,014,231) |
| Effect of exchange rate changes on cash and cash equivalents | (3,289) | (17,962) | (42,166) |
| Net change in cash and cash equivalents | (205,617) | (128,948) | (2,636,115) |
| Cash and cash equivalents at beginning of period | 773,227 | 840,579 | 9,913,166 |
| Cash and cash equivalents at end of period | ¥ 567,610 | ¥ 711,631 | \$ 7,277,051 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| <u>Results for the third quarter</u> | Millions of yen | | Change(%) | Thousands of |
|--------------------------------------|---|---|-----------|---|
| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | | U.S. dollars |
| | | | | Three months ended September 30, 2012 |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 407,661 | ¥ 471,302 | - 13.5 | \$ 5,226,423 |
| Intersegment | 1,690 | 1,639 | + 3.1 | 21,667 |
| Total | 409,351 | 472,941 | - 13.4 | 5,248,090 |
| Operating cost and expenses | 368,203 | 405,164 | - 9.1 | 4,720,552 |
| Operating profit | ¥ 41,148 | ¥ 67,777 | - 39.3 | \$ 527,538 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 321,788 | ¥ 347,167 | - 7.3 | \$ 4,125,487 |
| Intersegment | 298 | 275 | + 8.4 | 3,821 |
| Total | 322,086 | 347,442 | - 7.3 | 4,129,308 |
| Operating cost and expenses | 269,478 | 272,270 | - 1.0 | 3,454,846 |
| Operating profit | ¥ 52,608 | ¥ 75,172 | - 30.0 | \$ 674,462 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 70,500 | ¥ 98,442 | - 28.4 | \$ 903,846 |
| Intersegment | 22,442 | 25,342 | - 11.4 | 287,718 |
| Total | 92,942 | 123,784 | - 24.9 | 1,191,564 |
| Operating cost and expenses | 87,907 | 114,698 | - 23.4 | 1,127,013 |
| Operating profit | ¥ 5,035 | ¥ 9,086 | - 44.6 | \$ 64,551 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |

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| | | | | |
|-----------------------------|------------|------------|---|--------------|
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (24,430) | (27,256) | - | (313,206) |
| Total | (24,430) | (27,256) | - | (313,206) |
| Operating cost and expenses | 3,484 | 2,231 | - | 44,666 |
| Operating profit | ¥ (27,914) | ¥ (29,487) | - | \$ (357,872) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 799,949 | ¥ 916,911 | - | 12.8 |
| Intersegment | - | - | - | - |
| Total | 799,949 | 916,911 | - | 12.8 |
| Operating cost and expenses | 729,072 | 794,363 | - | 8.2 |
| Operating profit | ¥ 70,877 | ¥ 122,548 | - | 42.2 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| <u>Results for the nine months</u> | Millions of yen | | | Change(%) | Thousands of |
|------------------------------------|--|--|--------|-----------|--|
| | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | | | U.S. dollars Nine months ended September 30, 2012 |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,297,269 | ¥ 1,414,654 | - 8.3 | \$ | 16,631,654 |
| Intersegment | 3,983 | 4,948 | - 19.5 | | 51,064 |
| Total | 1,301,252 | 1,419,602 | - 8.3 | | 16,682,718 |
| Operating cost and expenses | 1,148,946 | 1,228,931 | - 6.5 | | 14,730,077 |
| Operating profit | ¥ 152,306 | ¥ 190,671 | - 20.1 | \$ | 1,952,641 |
| Imaging System | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 994,102 | ¥ 938,528 | + 5.9 | \$ | 12,744,898 |
| Intersegment | 1,194 | 751 | + 59.0 | | 15,308 |
| Total | 995,296 | 939,279 | + 6.0 | | 12,760,206 |
| Operating cost and expenses | 839,941 | 778,883 | + 7.8 | | 10,768,475 |
| Operating profit | ¥ 155,355 | ¥ 160,396 | - 3.1 | \$ | 1,991,731 |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 237,023 | ¥ 239,494 | - 1.0 | \$ | 3,038,756 |
| Intersegment | 64,049 | 67,339 | - 4.9 | | 821,141 |
| Total | 301,072 | 306,833 | - 1.9 | | 3,859,897 |
| Operating cost and expenses | 285,712 | 286,310 | - 0.2 | | 3,662,974 |
| Operating profit | ¥ 15,360 | ¥ 20,523 | - 25.2 | \$ | 196,923 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | \$ | - |
| Intersegment | (69,226) | (73,038) | - | | (887,513) |
| Total | (69,226) | (73,038) | - | | (887,513) |
| Operating cost and expenses | 7,643 | 15,091 | - | | 97,987 |
| Operating profit | ¥ (76,869) | ¥ (88,129) | - | \$ | (985,500) |

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Consolidated

| | | | | | |
|-----------------------------|-------------|-------------|--------|---------------|---|
| Net sales: | | | | | |
| External customers | ¥ 2,528,394 | ¥ 2,592,676 | - 2.5 | \$ 32,415,308 | |
| Intersegment | - | - | - | - | - |
| Total | 2,528,394 | 2,592,676 | - 2.5 | 32,415,308 | |
| Operating cost and expenses | 2,282,242 | 2,309,215 | - 1.2 | 29,259,513 | |
| Operating profit | ¥ 246,152 | ¥ 283,461 | - 13.2 | \$ 3,155,795 | |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| <u>Results for the third quarter</u> | Millions of yen | | Change(%) | Thousands of |
|--------------------------------------|--|--|-----------|--|
| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | | U.S. dollars |
| | | | | Three months ended September 30, 2012 |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 185,558 | ¥ 213,453 | - 13.1 | \$ 2,378,949 |
| Intersegment | 462,541 | 541,707 | - 14.6 | 5,930,013 |
| Total | 648,099 | 755,160 | - 14.2 | 8,308,962 |
| Operating cost and expenses | 579,714 | 644,963 | - 10.1 | 7,432,231 |
| Operating profit | ¥ 68,385 | ¥ 110,197 | - 37.9 | \$ 876,731 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 219,710 | ¥ 237,761 | - 7.6 | \$ 2,816,795 |
| Intersegment | 6,068 | 5,291 | + 14.7 | 77,795 |
| Total | 225,778 | 243,052 | - 7.1 | 2,894,590 |
| Operating cost and expenses | 219,042 | 230,767 | - 5.1 | 2,808,231 |
| Operating profit | ¥ 6,736 | ¥ 12,285 | - 45.2 | \$ 86,359 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 221,338 | ¥ 273,314 | - 19.0 | \$ 2,837,666 |
| Intersegment | 1,258 | 1,472 | - 14.5 | 16,128 |
| Total | 222,596 | 274,786 | - 19.0 | 2,853,794 |
| Operating cost and expenses | 212,481 | 260,120 | - 18.3 | 2,724,115 |
| Operating profit | ¥ 10,115 | ¥ 14,666 | - 31.0 | \$ 129,679 |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 173,343 | ¥ 192,383 | - 9.9 | \$ 2,222,346 |
| Intersegment | 190,111 | 225,350 | - 15.6 | 2,437,321 |
| Total | 363,454 | 417,733 | - 13.0 | 4,659,667 |
| Operating cost and expenses | 351,425 | 398,688 | - 11.9 | 4,505,449 |

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| | | | | |
|-----------------------------------|------------|------------|--------|---------------|
| Operating profit | ¥ 12,029 | ¥ 19,045 | - 36.8 | \$ 154,218 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (659,978) | (773,820) | - | (8,461,257) |
| Total | (659,978) | (773,820) | - | (8,461,257) |
| Operating cost and expenses | (633,590) | (740,175) | - | (8,122,949) |
| Operating profit | ¥ (26,388) | ¥ (33,645) | - | \$ (338,308) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 799,949 | ¥ 916,911 | - 12.8 | \$ 10,255,756 |
| Intersegment | - | - | - | - |
| Total | 799,949 | 916,911 | - 12.8 | 10,255,756 |
| Operating cost and expenses | 729,072 | 794,363 | - 8.2 | 9,347,077 |
| Operating profit | ¥ 70,877 | ¥ 122,548 | - 42.2 | \$ 908,679 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| <u>Results for the nine months</u> | Millions of yen | | | Thousands of U.S. dollars | |
|------------------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|--|
| | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 | Change(%) | Nine months ended September 30, 2012 | |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 599,352 | ¥ 572,347 | + 4.7 | \$ 7,684,000 | |
| Intersegment | 1,397,550 | 1,419,806 | - 1.6 | 17,917,308 | |
| Total | 1,996,902 | 1,992,153 | + 0.2 | 25,601,308 | |
| Operating cost and expenses | 1,755,339 | 1,699,616 | + 3.3 | 22,504,346 | |
| Operating profit | ¥ 241,563 | ¥ 292,537 | - 17.4 | \$ 3,096,962 | |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 667,809 | ¥ 682,176 | - 2.1 | \$ 8,561,654 | |
| Intersegment | 18,157 | 12,352 | + 47.0 | 232,782 | |
| Total | 685,966 | 694,528 | - 1.2 | 8,794,436 | |
| Operating cost and expenses | 670,672 | 677,833 | - 1.1 | 8,598,359 | |
| Operating profit | ¥ 15,294 | ¥ 16,695 | - 8.4 | \$ 196,077 | |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 723,819 | ¥ 818,803 | - 11.6 | \$ 9,279,731 | |
| Intersegment | 4,311 | 3,483 | + 23.8 | 55,269 | |
| Total | 728,130 | 822,286 | - 11.5 | 9,335,000 | |
| Operating cost and expenses | 701,332 | 788,977 | - 11.1 | 8,991,436 | |
| Operating profit | ¥ 26,798 | ¥ 33,309 | - 19.5 | \$ 343,564 | |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 537,414 | ¥ 519,350 | + 3.5 | \$ 6,889,923 | |
| Intersegment | 596,338 | 560,780 | + 6.3 | 7,645,359 | |
| Total | 1,133,752 | 1,080,130 | + 5.0 | 14,535,282 | |
| Operating cost and expenses | 1,089,659 | 1,036,900 | + 5.1 | 13,969,987 | |

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| | | | | |
|-----------------------------------|-------------|-------------|--------|----------------|
| Operating profit | ¥ 44,093 | ¥ 43,230 | + 2.0 | \$ 565,295 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (2,016,356) | (1,996,421) | - | (25,850,718) |
| Total | (2,016,356) | (1,996,421) | - | (25,850,718) |
| Operating cost and expenses | (1,934,760) | (1,894,111) | - | (24,804,615) |
| Operating profit | ¥ (81,596) | ¥ (102,310) | - | \$ (1,046,103) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 2,528,394 | ¥ 2,592,676 | - 2.5 | \$ 32,415,308 |
| Intersegment | - | - | - | - |
| Total | 2,528,394 | 2,592,676 | - 2.5 | 32,415,308 |
| Operating cost and expenses | 2,282,242 | 2,309,215 | - 1.2 | 29,259,513 |
| Operating profit | ¥ 246,152 | ¥ 283,461 | - 13.2 | \$ 3,155,795 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | September 30, 2012 | December 31, 2011 | Change |
|--------------|--------------------|-------------------|--------|
| Subsidiaries | 277 | 277 | - |
| Affiliates | 9 | 11 | (2) |
| Total | 286 | 288 | (2) |

2. Change in Group Entities

| | |
|-------------------------------------|--------------|
| Subsidiaries | |
| Addition: | 17 companies |
| Removal: | 17 companies |
| Affiliates(Carried at Equity Basis) | |
| Removal: | 2 companies |

3. Subsidiaries Listed on Domestic Stock Exchange

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

(2) SIGNIFICANT ACCOUNTING POLICIES

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

CONSOLIDATED FINANCIAL RESULTS FOR
THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2012
SUPPLEMENTARY REPORT
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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, plan, project or similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(Millions of yen)

| | 2012 | | | 2011 | | | Change year over year | | |
|-------------------------|-------------|-----------|-------------|-------------|-----------|-----------|-----------------------|--------|--------|
| | 3rd quarter | YTD | Year (P) | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| Japan | | | | | | | | | |
| Office | 87,294 | 274,887 | - | 85,879 | 265,336 | 362,528 | +1.6% | +3.6% | - |
| Imaging System | 46,678 | 139,062 | - | 46,033 | 125,807 | 187,397 | +1.4% | +10.5% | - |
| Industry and Others | 31,787 | 107,534 | - | 37,614 | 101,987 | 144,525 | -15.5% | +5.4% | - |
| Total | 165,759 | 521,483 | 734,500 | 169,526 | 493,130 | 694,450 | -2.2% | +5.7% | +5.8% |
| Overseas | | | | | | | | | |
| Office | 320,367 | 1,022,382 | - | 385,423 | 1,149,318 | 1,549,584 | -16.9% | -11.0% | - |
| Imaging System | 275,110 | 855,040 | - | 301,134 | 812,721 | 1,123,626 | -8.6% | +5.2% | - |
| Industry and Others | 38,713 | 129,489 | - | 60,828 | 137,507 | 189,773 | -36.4% | -5.8% | - |
| Total | 634,190 | 2,006,911 | 2,797,500 | 747,385 | 2,099,546 | 2,862,983 | -15.1% | -4.4% | -2.3% |
| Americas | | | | | | | | | |
| Office | 130,849 | 395,562 | - | 148,509 | 434,253 | 588,190 | -11.9% | -8.9% | - |
| Imaging System | 79,239 | 246,505 | - | 82,218 | 225,396 | 335,158 | -3.6% | +9.4% | - |
| Industry and Others | 9,905 | 31,454 | - | 9,871 | 28,002 | 38,607 | +0.3% | +12.3% | - |
| Total | 219,993 | 673,521 | 944,100 | 240,598 | 687,651 | 961,955 | -8.6% | -2.1% | -1.9% |
| Europe | | | | | | | | | |
| Office | 130,720 | 431,790 | - | 165,340 | 516,538 | 696,239 | -20.9% | -16.4% | - |
| Imaging System | 86,489 | 278,090 | - | 103,556 | 286,735 | 391,747 | -16.5% | -3.0% | - |
| Industry and Others | 4,531 | 15,249 | - | 4,927 | 19,144 | 25,079 | -8.0% | -20.3% | - |
| Total | 221,740 | 725,129 | 1,025,900 | 273,823 | 822,417 | 1,113,065 | -19.0% | -11.8% | -7.8% |
| Asia and Oceania | | | | | | | | | |
| Office | 58,798 | 195,030 | - | 71,574 | 198,527 | 265,155 | -17.9% | -1.8% | - |
| Imaging System | 109,382 | 330,445 | - | 115,360 | 300,590 | 396,721 | -5.2% | +9.9% | - |
| Industry and Others | 24,277 | 82,786 | - | 46,030 | 90,361 | 126,087 | -47.3% | -8.4% | - |
| Total | 192,457 | 608,261 | 827,500 | 232,964 | 589,478 | 787,963 | -17.4% | +3.2% | +5.0% |
| Intersegment | | | | | | | | | |
| Office | 1,690 | 3,983 | - | 1,639 | 4,948 | 5,831 | +3.1% | -19.5% | - |
| Imaging System | 298 | 1,194 | - | 275 | 751 | 1,021 | +8.4% | +59.0% | - |
| Industry and Others | 22,442 | 64,049 | - | 25,342 | 67,339 | 86,565 | -11.4% | -4.9% | - |
| Eliminations | (24,430) | (69,226) | - | (27,256) | (73,038) | (93,417) | - | - | - |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| Total | | | | | | | | | |
| Office | 409,351 | 1,301,252 | 1,762,700 | 472,941 | 1,419,602 | 1,917,943 | -13.4% | -8.3% | -8.1% |
| Imaging System | 322,086 | 995,296 | 1,444,700 | 347,442 | 939,279 | 1,312,044 | -7.3% | +6.0% | +10.1% |
| Industry and Others | 92,942 | 301,072 | 416,200 | 123,784 | 306,833 | 420,863 | -24.9% | -1.9% | -1.1% |
| Eliminations | (24,430) | (69,226) | (91,600) | (27,256) | (73,038) | (93,417) | - | - | - |
| Total | 799,949 | 2,528,394 | 3,532,000 | 916,911 | 2,592,676 | 3,557,433 | -12.8% | -2.5% | -0.7% |

(P)=Projection

2. SEGMENT INFORMATION BY BUSINESS UNIT

| | | | | | | | (Millions of yen) | | |
|-----------------------------------|-------------|-----------|-------------|-------------|-----------|-----------|-----------------------|--------|--------|
| | 2012 | | | 2011 | | | Change year over year | | |
| | 3rd quarter | YTD | Year (P) | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| Office | | | | | | | | | |
| External customers | 407,661 | 1,297,269 | 1,758,200 | 471,302 | 1,414,654 | 1,912,112 | -13.5% | -8.3% | -8.0% |
| Intersegment | 1,690 | 3,983 | 4,500 | 1,639 | 4,948 | 5,831 | +3.1% | -19.5% | -22.8% |
| Total sales | 409,351 | 1,301,252 | 1,762,700 | 472,941 | 1,419,602 | 1,917,943 | -13.4% | -8.3% | -8.1% |
| Operating profit | 41,148 | 152,306 | 199,900 | 67,777 | 190,671 | 259,265 | -39.3% | -20.1% | -22.9% |
| % of sales | 10.1% | 11.7% | 11.3% | 14.3% | 13.4% | 13.5% | - | - | - |
| Imaging System | | | | | | | | | |
| External customers | 321,788 | 994,102 | 1,443,100 | 347,167 | 938,528 | 1,311,023 | -7.3% | +5.9% | +10.1% |
| Intersegment | 298 | 1,194 | 1,600 | 275 | 751 | 1,021 | +8.4% | +59.0% | +56.7% |
| Total sales | 322,086 | 995,296 | 1,444,700 | 347,442 | 939,279 | 1,312,044 | -7.3% | +6.0% | +10.1% |
| Operating profit | 52,608 | 155,355 | 243,700 | 75,172 | 160,396 | 211,294 | -30.0% | -3.1% | +15.3% |
| % of sales | 16.3% | 15.6% | 16.9% | 21.6% | 17.1% | 16.1% | - | - | - |
| Industry and Others | | | | | | | | | |
| External customers | 70,500 | 237,023 | 330,700 | 98,442 | 239,494 | 334,298 | -28.4% | -1.0% | -1.1% |
| Intersegment | 22,442 | 64,049 | 85,500 | 25,342 | 67,339 | 86,565 | -11.4% | -4.9% | -1.2% |
| Total sales | 92,942 | 301,072 | 416,200 | 123,784 | 306,833 | 420,863 | -24.9% | -1.9% | -1.1% |
| Operating profit | 5,035 | 15,360 | 10,200 | 9,086 | 20,523 | 24,300 | -44.6% | -25.2% | -58.0% |
| % of sales | 5.4% | 5.1% | 2.5% | 7.3% | 6.7% | 5.8% | - | - | - |
| Corporate and Eliminations | | | | | | | | | |
| External customers | - | - | - | - | - | - | - | - | - |
| Intersegment | (24,430) | (69,226) | (91,600) | (27,256) | (73,038) | (93,417) | - | - | - |
| Total sales | (24,430) | (69,226) | (91,600) | (27,256) | (73,038) | (93,417) | - | - | - |
| Operating profit | (27,914) | (76,869) | (97,800) | (29,487) | (88,129) | (116,788) | - | - | - |
| Consolidated | | | | | | | | | |
| External customers | 799,949 | 2,528,394 | 3,532,000 | 916,911 | 2,592,676 | 3,557,433 | -12.8% | -2.5% | -0.7% |
| Intersegment | - | - | - | - | - | - | - | - | - |
| Total sales | 799,949 | 2,528,394 | 3,532,000 | 916,911 | 2,592,676 | 3,557,433 | -12.8% | -2.5% | -0.7% |
| Operating profit | 70,877 | 246,152 | 356,000 | 122,548 | 283,461 | 378,071 | -42.2% | -13.2% | -5.8% |
| % of sales | 8.9% | 9.7% | 10.1% | 13.4% | 10.9% | 10.6% | - | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

| | | | | | | | (Millions of yen) | | |
|--|-------------|---------|-------------|-------------|---------|---------|-----------------------|---------|---------|
| | 2012 | | | 2011 | | | Change year over year | | |
| | 3rd quarter | YTD | Year (P) | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| Interest and dividend, net | 1,377 | 4,576 | 5,700 | 1,901 | 4,989 | 7,444 | (524) | (413) | (1,744) |
| Forex gain (loss) | 1,986 | (1,347) | (1,300) | (6,496) | (5,659) | (3,287) | +8,482 | +4,312 | +1,987 |
| Equity earnings (loss) of affiliated companies | 247 | 674 | 900 | (277) | (5,654) | (7,368) | +524 | +6,328 | +8,268 |
| Other, net | 693 | 3,394 | 2,700 | 589 | 4,787 | (336) | +104 | (1,393) | +3,036 |
| Total | 4,303 | 7,297 | 8,000 | (4,283) | (1,537) | (3,547) | +8,586 | +8,834 | +11,547 |

(P)=Projection

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2012 | | | 2011 | | |
|----------------------------|-------------|-----|------|-------------|-----|------|
| | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| | | | (P) | | | |
| Office | | | | | | |
| Monochrome copiers | 16% | 16% | 16% | 15% | 15% | 15% |
| Color copiers | 19% | 19% | 19% | 17% | 17% | 17% |
| Printers | 44% | 44% | 44% | 49% | 48% | 48% |
| Others | 21% | 21% | 21% | 19% | 20% | 20% |
| Imaging System | | | | | | |
| Cameras | 71% | 71% | 71% | 74% | 71% | 71% |
| Inkjet printers | 22% | 21% | 22% | 21% | 24% | 24% |
| Others | 7% | 8% | 7% | 5% | 5% | 5% |
| Industry and Others | | | | | | |
| Lithography equipment | 14% | 18% | 15% | 17% | 17% | 19% |
| Others | 86% | 82% | 85% | 83% | 83% | 81% |

(P)=Projection

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

| | 2012 | | |
|----------------------------|-------------|--------|--------|
| | 3rd quarter | YTD | Year |
| | | | (P) |
| Office | | | |
| Japan | +1.6% | +3.6% | - |
| Overseas | -14.4% | -6.5% | - |
| Total | -11.4% | -4.7% | -5.2% |
| Imaging System | | | |
| Japan | +1.4% | +10.5% | - |
| Overseas | -5.9% | +9.7% | - |
| Total | -4.9% | +9.8% | +13.1% |
| Industry and Others | | | |
| Japan | -15.5% | +5.4% | - |
| Overseas | -35.9% | -4.3% | - |
| Total | -24.7% | -1.2% | -0.7% |
| Total | | | |
| Japan | -2.2% | +5.7% | +5.8% |
| Overseas | -12.7% | -0.1% | +1.1% |
| Americas | -9.6% | -0.1% | -0.7% |
| Europe | -11.0% | -3.1% | -0.5% |
| Asia and Oceania | -18.0% | +4.0% | +5.4% |
| Total | -10.8% | +1.0% | +2.0% |

(P)=Projection

6. PROFITABILITY

| | 2012 | | 2011 | |
|--------|------|----------|------|------|
| | YTD | Year (P) | YTD | Year |
| ROE *1 | 8.8% | 9.3% | 9.7% | 9.6% |
| ROA *2 | 5.7% | 6.1% | 6.3% | 6.3% |

(P)=Projection

*1 Based on Net Income attributable to Canon Inc. and Total Canon Inc. Stockholders Equity

*2 Based on Net Income attributable to Canon Inc.

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

| | 2012 | | 2011 | | (Yen) |
|----------|-------------|-----------------|----------|-------------|--------|
| | 3rd quarter | 4th quarter (P) | Year (P) | 3rd quarter | Year |
| Yen/US\$ | 78.58 | 78.00 | 79.08 | 77.75 | 79.55 |
| Yen/Euro | 98.48 | 100.00 | 101.30 | 109.98 | 110.72 |

(P)=Projection

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

(Billions of yen)

| | 2012 | |
|------------------|-------------|----------|
| | 3rd quarter | Year (P) |
| US\$ | +5.1 | (5.8) |
| Euro | (23.0) | (85.8) |
| Other currencies | +1.0 | +0.4 |
| Total | (16.9) | (91.2) |

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

| | 2012 | |
|---------------------|-----------------|--|
| | 4th quarter (P) | |
| On sales | | |
| US\$ | 5.4 | |
| Euro | 2.6 | |
| On operating profit | | |
| US\$ | 2.5 | |
| Euro | 1.6 | |

(P)=Projection

8. STATEMENTS OF CASH FLOWS

(Millions of yen)

| | 2012 | | 2011 | |
|--|-------------|-----------|-------------|-----------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| Net cash provided by operating activities | 63,848 | 385,000 | 151,758 | 469,562 |
| Net cash used in investing activities | (43,256) | (210,000) | (128,692) | (256,543) |
| Free cash flow | 20,592 | 175,000 | 23,066 | 213,019 |
| Net cash used in financing activities | (125,569) | (315,000) | (125,135) | (257,513) |
| Effect of exchange rate changes on cash and cash equivalents | (1,460) | (3,200) | (34,919) | (22,858) |
| Net change in cash and cash equivalents | (106,437) | (143,200) | (136,988) | (67,352) |
| Cash and cash equivalents at end of period | 567,610 | 630,000 | 711,631 | 773,227 |

(P)=Projection

9. R&D EXPENDITURE

| | 2012 | | 2011 | |
|----------------------------|-------------------|----------|-------------|---------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| | (Millions of yen) | | | |
| Office | 24,854 | - | 24,182 | 103,378 |
| Imaging System | 19,471 | - | 20,801 | 82,731 |
| Industry and Others | 6,122 | - | 8,100 | 27,061 |
| Corporate and Eliminations | 22,028 | - | 24,901 | 94,630 |
| Total | 72,475 | 295,000 | 77,984 | 307,800 |
| % of sales | 9.1% | 8.4% | 8.5% | 8.7% |

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

| | 2012 | | 2011 | |
|-------------------------------|-------------------|----------|-------------|---------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| | (Millions of yen) | | | |
| Increase in PP&E | 57,339 | 270,000 | 54,545 | 226,869 |
| Depreciation and amortization | 64,322 | 255,000 | 62,941 | 261,343 |

(P)=Projection

11. INVENTORIES**(1) Inventories**

| | (Millions of yen) | | |
|---------------------|-------------------|---------|------------|
| | 2012 | 2011 | Difference |
| | Sep.30 | Dec.31 | |
| Office | 208,501 | 207,690 | +811 |
| Imaging System | 259,419 | 148,954 | +110,465 |
| Industry and Others | 123,201 | 120,060 | +3,141 |
| Total | 591,121 | 476,704 | +114,417 |

(2) Inventories / Sales*

| | (Days) | | |
|---------------------|--------|--------|------------|
| | 2012 | 2011 | Difference |
| | Sep.30 | Dec.31 | |
| Office | 44 | 39 | +5 |
| Imaging System | 68 | 38 | +30 |
| Industry and Others | 156 | 115 | +41 |
| Total | 63 | 46 | +17 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | Difference | | |
|---------------------------|------------|--------|------------|
| | 2012 | 2011 | Difference |
| | Sep.30 | Dec.31 | |
| Total debt / Total assets | 0.1% | 0.3% | -0.2% |

13. OVERSEAS PRODUCTION RATIO

| | Difference | |
|---------------------------|------------|------|
| | 2012 | 2011 |
| | YTD | Year |
| Overseas production ratio | 52% | 52% |

14. NUMBER OF EMPLOYEES

| | Difference | | |
|----------|------------|---------|------------|
| | 2012 | 2011 | Difference |
| | Sep.30 | Dec.31 | |
| Japan | 70,562 | 70,346 | +216 |
| Overseas | 130,630 | 127,961 | +2,669 |
| Total | 201,192 | 198,307 | +2,885 |