

CANON INC
Form 6-K
April 25, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

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

For the month of **. April** , **2013** ,

CANON INC.

(Translation of registrant's name into English)

30-2, Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan
(Address of principal executive offices)

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

Form 20-F **X** 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 **X**

[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 . **April 25, 2013**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama

General Manager

Consolidated Accounting Div.

Canon Inc.

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

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2013

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2013

April 24, 2013

CONSOLIDATED RESULTS

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

| | | | Actual | | | | Projected | |
|---------------------------------------|--------------------|--------------------|--------|-----------|--------------------|-------------------|-----------|-----------|
| | Three months ended | Three months ended | | Change(%) | Three months ended | Year ending | | Change(%) |
| | March 31, 2013 | March 31, 2012 | | | March 31, 2013 | December 31, 2013 | | |
| Net sales | ¥ 816,653 | ¥ 829,240 | - | 1.5 | \$ 8,687,798 | ¥ 3,980,000 | + | 14.4 |
| Operating profit | 54,773 | 82,679 | - | 33.8 | 582,691 | 450,000 | + | 39.0 |
| Income before income taxes | 60,255 | 92,724 | - | 35.0 | 641,011 | 450,000 | + | 31.4 |
| Net income attributable to Canon Inc. | ¥ 40,913 | ¥ 61,538 | - | 33.5 | \$ 435,245 | ¥ 290,000 | + | 29.1 |

Net income attributable to Canon Inc. stockholders per share:

| | | | | | | | | |
|-----------|---------|---------|---|------|---------|----------|---|------|
| - Basic | ¥ 35.49 | ¥ 51.53 | - | 31.1 | \$ 0.38 | ¥ 251.56 | + | 31.5 |
| - Diluted | 35.49 | 51.53 | - | 31.1 | 0.38 | - | | - |

| | | | Actual | | | |
|--------------------------------|----------------|-------------------|--------|-----------|----------------|--|
| | As of | As of | | Change(%) | As of | |
| | March 31, 2013 | December 31, 2012 | | | March 31, 2013 | |
| Total assets | ¥ 3,934,093 | ¥ 3,955,503 | - | 0.5 | \$ 41,852,053 | |
| Canon Inc. stockholders equity | ¥ 2,643,526 | ¥ 2,598,026 | + | 1.8 | \$ 28,122,617 | |

- 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 94 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 29, 2013, 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

2013 First Quarter in Review

Looking back at the global economy in the first quarter of 2013, the pace of economic recovery from last year remained sluggish. The United States saw signs of improvement in such economic indicators as housing prices and the unemployment rate, while in Europe the economy slowed further due to a sense of unease over a possible recurrence of the financial crisis in Southern European nations. The speed of economic expansion in emerging countries such as China, India and Russia declined as a consequence of the worldwide economic slowdown. In Japan, despite improvements in consumer and business sentiment, the real economy failed to match expectations. Although the U.S. economy gave indications of a recovery, the global economy overall remained flat.

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

The average value of the yen during the quarter was ¥92.76 against the U.S. dollar, a year-on-year depreciation of approximately ¥13, and ¥122.35 against the euro, a year-on-year depreciation of approximately ¥18.

Despite the steady sales growth of competitively priced products such as MFDs and laser printers, as well as increased sales volume of inkjet printers, and the positive effect of favorable currency exchange rates, net sales for the quarter declined 1.5% year on year to ¥816.7 billion (U.S.\$8,688 million), owing to decreased demand for digital compact cameras and industrial equipment. The gross profit ratio rose 0.2 points year on year to 47.3%, thanks to the depreciation of the yen. Although Canon carried out Group-wide efforts to thoroughly reduce spending, operating expenses increased 7.4% year on year to ¥331.1 billion (U.S.\$3,523 million) due to the negative effect of the depreciation of the yen. Consequently, first-quarter operating profit decreased by 33.8% to ¥54.8 billion (U.S.\$583 million) compared with the corresponding period of the previous year. Other income decreased by ¥4.6 billion (U.S.\$49 million) for the first quarter from the year-ago period due to a decrease in foreign currency exchange gains, and income before income taxes declined by 35.0% year on year to ¥60.3 billion (U.S.\$641 million). Net income attributable to Canon Inc. decreased by 33.5% to ¥40.9 billion (U.S.\$435 million) for the period.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥35.49 (U.S.\$0.38), a decrease of ¥16.04 (U.S.\$0.17) compared with the corresponding quarter of the previous year.

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, although the sales performance of color MFDs, led by the imageRUNNER ADVANCE C5200/C2200 series, increased from the year-ago period, total sales volume for both color and monochrome models decreased slightly due to a deterioration in business confidence in the United States and Asia. Sales of the Océ VarioPrint 135 series, which was jointly developed by Canon and Océ for production printing, showed solid growth. Laser printers recorded a slight increase in sales volume year on year owing to sales expansion efforts centered on new products introduced last year offering exceptional environmental performance through such features as energy-saving functions and quiet operation. As a result, sales for the business unit totaled ¥464.2 billion (U.S.\$4,938 million), an increase of 6.0% year on year, while operating profit totaled ¥60.1 billion (U.S.\$639 million) an increase of 13.7%.

Within the Imaging System Business Unit, sales volume of interchangeable lens digital cameras declined year on year due mainly to the concentration of supply from Canon that had accumulated in the market during the year-ago period, as a consequence of the flooding in Thailand the prior year. Canon, however, maintained its lead in the global market share. As for digital compact cameras, sales volume declined from the previous year due to the market slowdown and the increasing popularity of smartphones. With regard to inkjet printers, new products featuring improved designs and operability in addition to enhanced print quality and other basic functionality were recognized by the market, leading to a significant increase in sales volume from the year-ago period despite the sluggish market as a whole. As a result of the above, sales for the business unit declined by 1.8% to ¥298.1 billion (U.S.\$3,171 million), while operating profit totaled ¥28.5 billion (U.S.\$303 million), a decrease of 39.1%.

In the Industry and Others Business Unit, sales volume of semiconductor lithography equipment declined from the previous year due to the restrained capital expenditure for memory devices although investment in semiconductor lithography equipment to produce image sensors and in-car devices showed steady growth. As for FPD lithography equipment, shrinking demand for equipment used in the production of large-size panels, an area in which Canon excels, continued to pose challenging conditions. Consequently, sales for the segment totaled ¥75.1 billion (U.S.\$799 million), a decrease of 31.6%, while operating profit decreased ¥11.5 billion (U.S.\$122 million), posting a loss of ¥7.5 billion (U.S.\$80 million).

Cash Flow

During the first quarter of 2013, although net income attributable to Canon Inc. decreased ¥20.6 billion (U.S.\$219 million), cash flow from operating activities totaled ¥55.4 billion (U.S.\$590 million), a decline of only ¥0.7 billion (U.S.\$7 million) compared with the corresponding period of the previous year owing to improvements in working capital through such means as an increasing the collection of accounts receivable. Due to capital investment focused on new products, cash flow from investing activities decreased ¥4.5 billion (U.S.\$48 million) year on year, totaling ¥73.4 billion (U.S.\$781 million). Accordingly, free cash flow totaled negative ¥18.0 billion (U.S.\$191 million), an increase of ¥3.8 billion (U.S.\$41 million) compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥84.1 billion (U.S.\$894 million), mainly arising from the dividend payout. Owing to these factors, as well as the positive impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥73.7 billion (U.S.\$784 million) year on year to ¥593.0 billion (U.S.\$6,308 million).

Outlook

As for the outlook in the second quarter onward, the global economy is expected to realize a moderate recovery in the latter half of the year. The U.S. economy is expected to achieve moderate growth thanks to improvements in unemployment conditions and the housing market. The recession in Europe will likely to be protracted, especially in Southern European countries. China and other emerging economies are expected to show steady growth along with a recovery in consumer spending. Japan, buoyed by aggressive fiscal stimulus, is expected to realize moderate growth in the latter half of the year.

In the businesses in which Canon is involved, demand for MFDs is projected to grow moderately mainly for color models fueled by the recovery of the global economy, while demand in the laser printer market is expected to realize a slight increase from last year. Demand for interchangeable lens digital cameras is expected to continue growing across all regions owing to an expanding user base in developed countries along with market growth in emerging countries. The digital compact camera market is projected to shrink, mainly among low-end models, due to the popularity of smartphones. As for inkjet printers, with the growth in emerging markets offsetting the decline in developed countries, demand overall is expected to remain around the same level as for the previous year. In the industrial equipment market, demand for semiconductor lithography equipment is expected to recover with a turnaround in capital expenditure for memory devices from the second half of the year, made possible by a recovered supply-demand balance in the memory device market. Demand for FPD lithography equipment will likely pick up in line with the recovery in demand for large-size panels.

With regard to currency exchange rates for the second quarter onward, on which Canon's performance outlook is based, although measures are being taken to resolve the steep appreciation of the yen, backed by the Bank of Japan's monetary easing policy, taking into account such uncertainties as the euro debt crisis and financial problem in the United States, Canon anticipates exchange rates of ¥95 to the U.S. dollar and ¥125 to the euro, representing depreciations of approximately ¥15 against the U.S. dollar, and approximately ¥21 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration these foreign exchange rate assumptions and the current economic forecast, Canon projects full-year consolidated net sales in 2013 of ¥3,980.0 billion (U.S.\$42,340 million), a year-on-year increase of 14.4%; operating profit of ¥450.0 billion (U.S.\$4,787 million), a year-on-year increase of 39.0%; income before income taxes of ¥450.0 billion (U.S.\$4,787 million), a year-on-year increase of 31.4%; and net income attributable to Canon Inc. of ¥290.0 billion (U.S.\$3,085 million), a year-on-year increase of 29.1%.

Consolidated Outlook

Fiscal year

Millions of yen

| | Year ending December 31, 2013 | | Change | Year ended December 31, 2012 | | Change (%) |
|---------------------------------------|----------------------------------|---------------------|-----------|---------------------------------|-------------|------------|
| | Previous Outlook (A) | Revised Outlook (B) | (B - A) | Results (C) | (B - C) / C | |
| Net sales | ¥ 3,810,000 | ¥ 3,980,000 | ¥ 170,000 | ¥ 3,479,788 | +14.4% | |
| Operating profit | 410,000 | 450,000 | 40,000 | 323,856 | +39.0% | |
| Income before income taxes | 400,000 | 450,000 | 50,000 | 342,557 | +31.4% | |
| Net income attributable to Canon Inc. | ¥ 255,000 | ¥ 290,000 | ¥ 35,000 | ¥ 224,564 | +29.1% | |

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

Edgar Filing: CANON INC - Form 6-K

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**I. CONSOLIDATED BALANCE SHEETS**

| | Millions of yen | | | Thousands of U.S. dollars |
|--|----------------------------|-------------------------------|------------|------------------------------|
| | As of March 31, 2013 | As of December 31, 2012 | Change | As of March 31, 2013 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 592,992 | ¥ 666,678 | ¥ (73,686) | \$ 6,308,426 |
| Short-term investments | 37,670 | 28,322 | 9,348 | 400,745 |
| Trade receivables, net | 512,031 | 573,375 | (61,344) | 5,447,138 |
| Inventories | 588,633 | 551,623 | 37,010 | 6,262,053 |
| Prepaid expenses and other current assets | 288,673 | 262,258 | 26,415 | 3,070,989 |
| Total current assets | 2,019,999 | 2,082,256 | (62,257) | 21,489,351 |
| Noncurrent receivables | 20,786 | 19,702 | 1,084 | 221,128 |
| Investments | 56,729 | 56,617 | 112 | 603,500 |
| Property, plant and equipment, net | 1,280,986 | 1,260,364 | 20,622 | 13,627,511 |
| Intangible assets, net | 137,363 | 135,736 | 1,627 | 1,461,309 |
| Other assets | 418,230 | 400,828 | 17,402 | 4,449,254 |
| Total assets | ¥ 3,934,093 | ¥ 3,955,503 | ¥ (21,410) | \$ 41,852,053 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 1,690 | ¥ 1,866 | ¥ (176) | \$ 17,979 |
| Trade payables | 314,144 | 325,235 | (11,091) | 3,341,957 |
| Accrued income taxes | 34,435 | 60,057 | (25,622) | 366,330 |
| Accrued expenses | 277,810 | 291,348 | (13,538) | 2,955,426 |
| Other current liabilities | 139,022 | 165,929 | (26,907) | 1,478,957 |
| Total current liabilities | 767,101 | 844,435 | (77,334) | 8,160,649 |
| Long-term debt, excluding current installments | 1,784 | 2,117 | (333) | 18,979 |
| Accrued pension and severance cost | 277,444 | 272,131 | 5,313 | 2,951,532 |
| Other noncurrent liabilities | 87,166 | 82,518 | 4,648 | 927,297 |
| Total liabilities | 1,133,495 | 1,201,201 | (67,706) | 12,058,457 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 1,859,170 |
| Additional paid-in capital | 401,182 | 401,547 | (365) | 4,267,894 |
| Legal reserve | 62,092 | 61,663 | 429 | 660,553 |
| Retained earnings | 3,098,776 | 3,138,976 | (40,200) | 32,965,702 |
| Accumulated other comprehensive income (loss) | (281,610) | (367,249) | 85,639 | (2,995,851) |
| Treasury stock, at cost | (811,676) | (811,673) | (3) | (8,634,851) |

Edgar Filing: CANON INC - Form 6-K

| | | | | |
|---------------------------------------|--------------------|--------------------|-------------------|----------------------|
| Total Canon Inc. stockholders' equity | 2,643,526 | 2,598,026 | 45,500 | 28,122,617 |
| Noncontrolling interests | 157,072 | 156,276 | 796 | 1,670,979 |
| Total equity | 2,800,598 | 2,754,302 | 46,296 | 29,793,596 |
| Total liabilities and equity | ¥ 3,934,093 | ¥ 3,955,503 | ¥ (21,410) | \$ 41,852,053 |

Millions of yen

Thousands of
U.S. dollars

As of
March 31,
2013

As of
December 31,
2012

As of
March 31,
2013

Notes:

| | | | |
|---|------------------|-----------|--------------------|
| 1. Allowance for doubtful receivables | ¥ 13,472 | ¥ 12,970 | \$ 143,319 |
| 2. Accumulated depreciation | 2,230,979 | 2,159,453 | 23,733,819 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (162,626) | (247,734) | (1,730,064) |
| Net unrealized gains and losses on securities | 4,939 | 4,146 | 52,543 |
| Net gains and losses on derivative instruments | (3,529) | (4,462) | (37,543) |
| Pension liability adjustments | (120,394) | (119,199) | (1,280,787) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | Change(%) | | Thousands of U.S. dollars |
|---|---|---|-----------|------|---|
| | Three months ended March 31, 2013 | Three months ended March 31, 2012 | | | Three months ended March 31, 2013 |
| Net sales | ¥ 816,653 | ¥ 829,240 | - | 1.5 | \$ 8,687,798 |
| Cost of sales | 430,740 | 438,342 | | | 4,582,341 |
| Gross profit | 385,913 | 390,898 | - | 1.3 | 4,105,457 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 257,624 | 236,188 | | | 2,740,681 |
| Research and development expenses | 73,516 | 72,031 | | | 782,085 |
| | 331,140 | 308,219 | | | 3,522,766 |
| Operating profit | 54,773 | 82,679 | - | 33.8 | 582,691 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 1,036 | 1,562 | | | 11,021 |
| Interest expense | (105) | (109) | | | (1,117) |
| Other, net | 4,551 | 8,592 | | | 48,416 |
| | 5,482 | 10,045 | | | 58,320 |
| Income before income taxes | 60,255 | 92,724 | - | 35.0 | 641,011 |
| Income taxes | 18,528 | 29,114 | | | 197,107 |
| Consolidated net income | 41,727 | 63,610 | | | 443,904 |
| Less: Net income attributable to noncontrolling interests | 814 | 2,072 | | | 8,659 |
| Net income attributable to Canon Inc. | ¥ 40,913 | ¥ 61,538 | - | 33.5 | \$ 435,245 |

Consolidated statements of comprehensive income

| | Millions of yen | | Change(%) | | Thousands of U.S. dollars |
|--|--|---|-----------|------|---|
| | Three months ended March 31, 2013 | Three months ended March 31, 2012 | | | Three months ended March 31, 2013 |
| Consolidated net income | ¥ 41,727 | ¥ 63,610 | - | 34.4 | \$ 443,904 |
| Other comprehensive income (loss), net of tax | | | | | |
| Foreign currency translation adjustments | 85,600 | 70,358 | | | 910,639 |
| Net unrealized gains and losses on securities | 1,126 | 3,997 | | | 11,979 |
| Net gains and losses on derivative instruments | 935 | (4,375) | | | 9,947 |
| Pension liability adjustments | (1,016) | 337 | | | (10,809) |

Edgar Filing: CANON INC - Form 6-K

| | | | | | |
|--|------------------|-----------|---|-----|---------------------|
| | 86,645 | 70,317 | | | 921,756 |
| Comprehensive income | 128,372 | 133,927 | - | 4.1 | 1,365,660 |
| Less: Comprehensive income attributable to noncontrolling interests | 1,628 | 2,916 | | | 17,320 |
| Comprehensive income attributable to Canon Inc. | ¥ 126,744 | ¥ 131,011 | - | 3.3 | \$ 1,348,340 |

-6-

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| Sales by business unit | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|
| | Three months ended March 31, 2013 | Three months ended March 31, 2012 | Change(%) | Three months ended March 31, 2013 |
| Office | ¥ 464,206 | ¥ 438,039 | + 6.0 | \$ 4,938,362 |
| Imaging System | 298,107 | 303,476 | - 1.8 | 3,171,351 |
| Industry and Others | 75,067 | 109,782 | - 31.6 | 798,585 |
| Eliminations | (20,727) | (22,057) | - | (220,500) |
| Total | ¥ 816,653 | ¥ 829,240 | - 1.5 | \$ 8,687,798 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars |
|------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|
| | Three months ended March 31, 2013 | Three months ended March 31, 2012 | Change(%) | Three months ended March 31, 2013 |
| Japan | ¥ 159,718 | ¥ 176,875 | - 9.7 | \$ 1,699,128 |
| Overseas: | | | | |
| Americas | 232,002 | 210,348 | + 10.3 | 2,468,106 |
| Europe | 246,365 | 244,453 | + 0.8 | 2,620,904 |
| Asia and Oceania | 178,568 | 197,564 | - 9.6 | 1,899,660 |
| | 656,935 | 652,365 | + 0.7 | 6,988,670 |
| Total | ¥ 816,653 | ¥ 829,240 | - 1.5 | \$ 8,687,798 |

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

Office Business Unit:

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

Imaging System Business Unit:

Interchangeable lens digital cameras / Digital compact cameras / Digital camcorders / Digital cinema cameras / Interchangeable lenses /

Inkjet printers / Large-format inkjet printers / Commercial photo printers / Image scanners / Multimedia projectors /

Broadcast equipment / Calculators

Industry and Others Business Unit:

Semiconductor lithography equipment / Flat panel display (FPD) lithography equipment / Digital radiography systems /

Ophthalmic equipment / Vacuum thin-film deposition equipment / Organic LED (OLED) panel manufacturing equipment /

Die bonders / Micromotors / Network cameras / Handy terminals / Document scanners

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

Americas: United States of America, Canada, Latin America

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

Asia and Oceania: China, Asian countries, Australia

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

Thousands of
U.S. dollars

| Three months ended March 31, 2013 | Three months ended March 31, 2012 | Three months ended March 31, 2013 |
|---|---|---|
|---|---|---|

| | | | |
|--|-----------|-----------|--------------|
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 41,727 | ¥ 63,610 | \$ 443,904 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 64,340 | 59,873 | 684,468 |
| Loss on disposal of fixed assets | 2,126 | 5,699 | 22,617 |
| Deferred income taxes | 460 | 610 | 4,894 |
| Decrease in trade receivables | 88,732 | 50,816 | 943,957 |
| Increase in inventories | (7,022) | (50,537) | (74,702) |
| Decrease in trade payables | (43,565) | (26,698) | (463,457) |
| Decrease in accrued income taxes | (26,212) | (3,353) | (278,851) |
| Decrease in accrued expenses | (26,782) | (12,808) | (284,915) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | (1,136) | 121 | (12,085) |
| Other, net | (37,254) | (31,207) | (396,319) |
| Net cash provided by operating activities | 55,414 | 56,126 | 589,511 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (62,826) | (77,271) | (668,362) |
| Proceeds from sale of fixed assets | 785 | 768 | 8,351 |
| Purchases of available-for-sale securities | (155) | (75) | (1,649) |
| Proceeds from sale and maturity of available-for-sale securities | 1,662 | 105 | 17,681 |
| Increase in time deposits, net | (7,408) | (583) | (78,809) |
| Acquisitions of subsidiaries, net of cash acquired | (4,914) | (704) | (52,277) |
| Purchases of other investments | (209) | (103) | (2,223) |
| Other, net | (338) | (12) | (3,595) |
| Net cash used in investing activities | (73,403) | (77,875) | (780,883) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 490 | 347 | 5,213 |
| Repayments of long-term debt | (988) | (465) | (10,511) |
| Increase (decrease) in short-term loans, net | (532) | 1,873 | (5,660) |
| Dividends paid | (80,695) | (72,092) | (858,457) |
| Repurchases of treasury stock, net | (4) | (49,992) | (43) |
| Other, net | (2,332) | (10,987) | (24,808) |
| Net cash used in financing activities | (84,061) | (131,316) | (894,266) |
| Effect of exchange rate changes on cash and cash equivalents | 28,364 | 25,322 | 301,744 |
| Net change in cash and cash equivalents | (73,686) | (127,743) | (783,894) |
| Cash and cash equivalents at beginning of period | 666,678 | 773,227 | 7,092,320 |
| Cash and cash equivalents at end of period | ¥ 592,992 | ¥ 645,484 | \$ 6,308,426 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| | Millions of yen | | Change(%) | | Thousands of U.S. dollars |
|-----------------------------|---|---|-----------|------|---|
| | Three months ended March 31, 2013 | Three months ended March 31, 2012 | | | Three months ended March 31, 2013 |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 462,130 | ¥ 436,926 | + | 5.8 | \$ 4,916,277 |
| Intersegment | 2,076 | 1,113 | + | 86.5 | 22,085 |
| Total | 464,206 | 438,039 | + | 6.0 | 4,938,362 |
| Operating cost and expenses | 404,135 | 385,193 | + | 4.9 | 4,299,309 |
| Operating profit | ¥ 60,071 | ¥ 52,846 | + | 13.7 | \$ 639,053 |
| Imaging System | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 297,927 | ¥ 303,017 | - | 1.7 | \$ 3,169,436 |
| Intersegment | 180 | 459 | - | 60.8 | 1,915 |
| Total | 298,107 | 303,476 | - | 1.8 | 3,171,351 |
| Operating cost and expenses | 269,626 | 256,742 | + | 5.0 | 2,868,362 |
| Operating profit | ¥ 28,481 | ¥ 46,734 | - | 39.1 | \$ 302,989 |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 56,596 | ¥ 89,297 | - | 36.6 | \$ 602,085 |
| Intersegment | 18,471 | 20,485 | - | 9.8 | 196,500 |
| Total | 75,067 | 109,782 | - | 31.6 | 798,585 |
| Operating cost and expenses | 82,603 | 105,789 | - | 21.9 | 878,755 |
| Operating profit (loss) | ¥ (7,536) | ¥ 3,993 | - | | \$ (80,170) |

Edgar Filing: CANON INC - Form 6-K

Corporate and Eliminations

Net sales:

| | | | | |
|-----------------------------|------------|------------|---|--------------|
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (20,727) | (22,057) | - | (220,500) |
| Total | (20,727) | (22,057) | - | (220,500) |
| Operating cost and expenses | 5,516 | (1,163) | - | 58,681 |
| Operating profit | ¥ (26,243) | ¥ (20,894) | - | \$ (279,181) |

Consolidated

Net sales:

| | | | | | |
|-----------------------------|-----------|-----------|---|------|--------------|
| External customers | ¥ 816,653 | ¥ 829,240 | - | 1.5 | \$ 8,687,798 |
| Intersegment | - | - | - | - | - |
| Total | 816,653 | 829,240 | - | 1.5 | 8,687,798 |
| Operating cost and expenses | 761,880 | 746,561 | + | 2.1 | 8,105,107 |
| Operating profit | ¥ 54,773 | ¥ 82,679 | - | 33.8 | \$ 582,691 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| | Millions of yen | | Change(%) | | Thousands of U.S. dollars |
|-----------------------------|---|---|-----------|-------|---|
| | Three months ended March 31, 2013 | Three months ended March 31, 2012 | | | Three months ended March 31, 2013 |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 171,874 | ¥ 209,215 | - | 17.8 | \$ 1,828,447 |
| Intersegment | 425,726 | 460,173 | - | 7.5 | 4,529,000 |
| Total | 597,600 | 669,388 | - | 10.7 | 6,357,447 |
| Operating cost and expenses | 533,827 | 596,832 | - | 10.6 | 5,679,011 |
| Operating profit | ¥ 63,773 | ¥ 72,556 | - | 12.1 | \$ 678,436 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 229,375 | ¥ 207,002 | + | 10.8 | \$ 2,440,160 |
| Intersegment | 2,578 | 5,218 | - | 50.6 | 27,425 |
| Total | 231,953 | 212,220 | + | 9.3 | 2,467,585 |
| Operating cost and expenses | 228,627 | 207,988 | + | 9.9 | 2,432,202 |
| Operating profit | ¥ 3,326 | ¥ 4,232 | - | 21.4 | \$ 35,383 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 246,729 | ¥ 244,036 | + | 1.1 | \$ 2,624,777 |
| Intersegment | 11,731 | 1,526 | + | 668.7 | 124,797 |
| Total | 258,460 | 245,562 | + | 5.3 | 2,749,574 |
| Operating cost and expenses | 264,474 | 234,669 | + | 12.7 | 2,813,553 |
| Operating profit (loss) | ¥ (6,014) | ¥ 10,893 | - | | \$ (63,979) |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 168,675 | ¥ 168,987 | - | 0.2 | \$ 1,794,414 |
| Intersegment | 190,528 | 197,206 | - | 3.4 | 2,026,895 |
| Total | 359,203 | 366,193 | - | 1.9 | 3,821,309 |
| Operating cost and expenses | 345,014 | 345,344 | - | 0.1 | 3,670,362 |

Edgar Filing: CANON INC - Form 6-K

| | | | | | |
|-----------------------------------|------------|------------|---|------|--------------|
| Operating profit | ¥ 14,189 | ¥ 20,849 | - | 31.9 | \$ 150,947 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | - | \$ - |
| Intersegment | (630,563) | (664,123) | - | - | (6,708,117) |
| Total | (630,563) | (664,123) | - | - | (6,708,117) |
| Operating cost and expenses | (610,062) | (638,272) | - | - | (6,490,021) |
| Operating profit | ¥ (20,501) | ¥ (25,851) | - | - | \$ (218,096) |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 816,653 | ¥ 829,240 | - | 1.5 | \$ 8,687,798 |
| Intersegment | - | - | - | - | - |
| Total | 816,653 | 829,240 | - | 1.5 | 8,687,798 |
| Operating cost and expenses | 761,880 | 746,561 | + | 2.1 | 8,105,107 |
| Operating profit | ¥ 54,773 | ¥ 82,679 | - | 33.8 | \$ 582,691 |

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

| | March 31, 2013 | December 31, 2012 | Change |
|--------------|----------------|-------------------|--------|
| Subsidiaries | 281 | 275 | 6 |
| Affiliates | 9 | 9 | - |
| Total | 290 | 284 | 6 |

2. Change in Group Entities

| | |
|--------------|--------------|
| Subsidiaries | |
| Addition: | 16 companies |
| Removal: | 10 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 FIRST QUARTER ENDED MARCH 31, 2013
SUPPLEMENTARY REPORT**

TABLE OF CONTENTS

| | PAGE |
|--|------|
| 1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT | S 1 |
| 2. SEGMENT INFORMATION BY BUSINESS UNIT | S 2 |
| 3. OTHER INCOME / DEDUCTIONS | S 2 |
| 4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT | S 3 |
| 5. SALES GROWTH IN LOCAL CURRENCY (Year over year) | S 3 |
| 6. PROFITABILITY | S 4 |
| 7. IMPACT OF FOREIGN EXCHANGE RATES | S 4 |
| 8. STATEMENTS OF CASH FLOWS | S 4 |
| 9. R&D EXPENDITURE | S 5 |
| 10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION | S 5 |
| 11. INVENTORIES | S 5 |
| 12. DEBT RATIO | S 5 |
| 13. OVERSEAS PRODUCTION RATIO | S 5 |
| 14. NUMBER OF EMPLOYEES | S 5 |

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

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(Millions of yen)

| | 2013 | | 2012 | | Change year over year | |
|-------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
| | Year | | | | | |
| | 1st quarter | (P) | 1st quarter | Year | 1st quarter | Year |
| Japan | | | | | | |
| Office | 90,534 | - | 92,531 | 368,939 | -2.2% | - |
| Imaging System | 40,094 | - | 42,348 | 213,465 | -5.3% | - |
| Industry and Others | 29,090 | - | 41,996 | 137,882 | -30.7% | - |
| Total | 159,718 | 730,000 | 176,875 | 720,286 | -9.7% | +1.3% |
| Overseas | | | | | | |
| Office | 371,596 | - | 344,395 | 1,383,021 | +7.9% | - |
| Imaging System | 257,833 | - | 260,669 | 1,190,929 | -1.1% | - |
| Industry and Others | 27,506 | - | 47,301 | 185,552 | -41.8% | - |
| Total | 656,935 | 3,250,000 | 652,365 | 2,759,502 | +0.7% | +17.8% |
| Americas | | | | | | |
| Office | 142,983 | - | 125,721 | 530,382 | +13.7% | - |
| Imaging System | 79,474 | - | 73,537 | 366,888 | +8.1% | - |
| Industry and Others | 9,545 | - | 11,090 | 42,603 | -13.9% | - |
| Total | 232,002 | 1,110,900 | 210,348 | 939,873 | +10.3% | +18.2% |
| Europe | | | | | | |
| Office | 163,809 | - | 151,581 | 597,341 | +8.1% | - |
| Imaging System | 77,570 | - | 87,458 | 394,612 | -11.3% | - |
| Industry and Others | 4,986 | - | 5,414 | 22,085 | -7.9% | - |
| Total | 246,365 | 1,179,400 | 244,453 | 1,014,038 | +0.8% | +16.3% |
| Asia and Oceania | | | | | | |
| Office | 64,804 | - | 67,093 | 255,298 | -3.4% | - |
| Imaging System | 100,789 | - | 99,674 | 429,429 | +1.1% | - |
| Industry and Others | 12,975 | - | 30,797 | 120,864 | -57.9% | - |
| Total | 178,568 | 959,700 | 197,564 | 805,591 | -9.6% | +19.1% |
| Intersegment | | | | | | |
| Office | 2,076 | - | 1,113 | 5,615 | +86.5% | - |
| Imaging System | 180 | - | 459 | 1,577 | -60.8% | - |
| Industry and Others | 18,471 | - | 20,485 | 84,406 | -9.8% | - |
| Eliminations | (20,727) | - | (22,057) | (91,598) | - | - |
| Total | 0 | 0 | 0 | 0 | - | - |
| Total | | | | | | |
| Office | 464,206 | 2,027,400 | 438,039 | 1,757,575 | +6.0% | +15.4% |
| Imaging System | 298,107 | 1,635,300 | 303,476 | 1,405,971 | -1.8% | +16.3% |
| Industry and Others | 75,067 | 423,000 | 109,782 | 407,840 | -31.6% | +3.7% |
| Eliminations | (20,727) | (105,700) | (22,057) | (91,598) | - | - |
| Total | 816,653 | 3,980,000 | 829,240 | 3,479,788 | -1.5% | +14.4% |
| (P)=Projection | | | | | | |

(P)=Projection

Canon Inc.

2. SEGMENT INFORMATION BY BUSINESS UNIT

| | 2013 | | 2012 | | (Millions of yen) | |
|-----------------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
| | Year | | Year | | Change year over year | |
| | 1st quarter | (P) | 1st quarter | Year | 1st quarter | Year |
| Office | | | | | | |
| External customers | 462,130 | 2,019,100 | 436,926 | 1,751,960 | +5.8% | +15.2% |
| Intersegment | 2,076 | 8,300 | 1,113 | 5,615 | +86.5% | +47.8% |
| Total sales | 464,206 | 2,027,400 | 438,039 | 1,757,575 | +6.0% | +15.4% |
| Operating profit | 60,071 | 272,600 | 52,846 | 203,578 | +13.7% | +33.9% |
| % of sales | 12.9% | 13.4% | 12.1% | 11.6% | - | - |
| Imaging System | | | | | | |
| External customers | 297,927 | 1,634,300 | 303,017 | 1,404,394 | -1.7% | +16.4% |
| Intersegment | 180 | 1,000 | 459 | 1,577 | -60.8% | -36.6% |
| Total sales | 298,107 | 1,635,300 | 303,476 | 1,405,971 | -1.8% | +16.3% |
| Operating profit | 28,481 | 305,900 | 46,734 | 210,318 | -39.1% | +45.4% |
| % of sales | 9.6% | 18.7% | 15.4% | 15.0% | - | - |
| Industry and Others | | | | | | |
| External customers | 56,596 | 326,600 | 89,297 | 323,434 | -36.6% | +1.0% |
| Intersegment | 18,471 | 96,400 | 20,485 | 84,406 | -9.8% | +14.2% |
| Total sales | 75,067 | 423,000 | 109,782 | 407,840 | -31.6% | +3.7% |
| Operating profit | (7,536) | (17,700) | 3,993 | 5,910 | - | - |
| % of sales | -10.0% | -4.2% | 3.6% | 1.4% | - | - |
| Corporate and Eliminations | | | | | | |
| External customers | - | - | - | - | - | - |
| Intersegment | (20,727) | (105,700) | (22,057) | (91,598) | - | - |
| Total sales | (20,727) | (105,700) | (22,057) | (91,598) | - | - |
| Operating profit | (26,243) | (110,800) | (20,894) | (95,950) | - | - |
| Consolidated | | | | | | |
| External customers | 816,653 | 3,980,000 | 829,240 | 3,479,788 | -1.5% | +14.4% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 816,653 | 3,980,000 | 829,240 | 3,479,788 | -1.5% | +14.4% |
| Operating profit | 54,773 | 450,000 | 82,679 | 323,856 | -33.8% | +39.0% |
| % of sales | 6.7% | 11.3% | 10.0% | 9.3% | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

| | 2013 | | 2012 | | (Millions of yen) | |
|--|-------------|---------|-------------|--------|-----------------------|----------|
| | Year | | Year | | Change year over year | |
| | 1st quarter | (P) | 1st quarter | Year | 1st quarter | Year |
| Interest and dividend, net | 931 | 4,000 | 1,453 | 5,770 | (522) | (1,770) |
| Forex gain (loss) | 3,182 | (2,200) | 9,307 | 9,130 | (6,125) | (11,330) |
| Equity earnings (loss) of affiliated companies | (86) | 600 | 465 | 610 | (551) | (10) |
| Other, net | 1,455 | (2,400) | (1,180) | 3,191 | +2,635 | (5,591) |
| Total | 5,482 | 0 | 10,045 | 18,701 | (4,563) | (18,701) |

(P)=Projection

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2013 | | 2012 | |
|----------------------------|-------------|----------|-------------|------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Office | | | | |
| Monochrome copiers | 16% | 16% | 16% | 16% |
| Color copiers | 19% | 19% | 19% | 19% |
| Printers | 43% | 42% | 45% | 44% |
| Others | 22% | 23% | 20% | 21% |
| Imaging System | | | | |
| Cameras | 65% | 71% | 70% | 70% |
| Inkjet printers | 26% | 22% | 21% | 22% |
| Others | 9% | 7% | 9% | 8% |
| Industry and Others | | | | |
| Lithography equipment | 9% | 18% | 17% | 15% |
| Others | 91% | 82% | 83% | 85% |

(P)=Projection

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

| | 2013 | |
|----------------------------|-------------|----------|
| | 1st quarter | Year (P) |
| Office | | |
| Japan | -2.2% | - |
| Overseas | -7.6% | - |
| Total | -6.2% | +0.6% |
| Imaging System | | |
| Japan | -5.3% | - |
| Overseas | -15.3% | - |
| Total | -14.0% | +0.2% |
| Industry and Others | | |
| Japan | -30.7% | - |
| Overseas | -46.7% | - |
| Total | -33.7% | +0.3% |
| Total | | |
| Japan | -9.7% | +1.3% |
| Overseas | -13.5% | -0.3% |
| Americas | -5.4% | 0.0% |
| Europe | -13.9% | -3.0% |
| Asia and Oceania | -21.8% | +2.7% |
| Total | -12.7% | 0.0% |

(P)=Projection

6. PROFITABILITY

| | 2013 | | 2012 | |
|--------|-------------|----------|----------------|------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| ROE *1 | 6.2% | 10.7% | 9.6% | 8.7% |
| ROA *2 | 4.1% | 7.1% | 6.2% | 5.7% |
| | | | (P)=Projection | |

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

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

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

| | 2013 | | | 2012 | |
|----------|-------------|---------------------|----------|----------------|--------|
| | 1st quarter | 2nd-4th quarter (P) | Year (P) | 1st quarter | Year |
| Yen/US\$ | 92.76 | 95.00 | 94.51 | 79.72 | 79.96 |
| Yen/Euro | 122.35 | 125.00 | 124.45 | 104.57 | 102.80 |
| | | | | (P)=Projection | |

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

| | (Billions of yen) | |
|------------------|-------------------|----------------|
| | 2013 | |
| | 1st quarter | Year (P) |
| US\$ | +46.7 | +224.8 |
| Euro | +29.1 | +166.1 |
| Other currencies | +10.5 | +76.6 |
| Total | +86.3 | +467.5 |
| | | (P)=Projection |

(3) Impact of foreign exchange rates per yen

| | (Billions of yen) |
|---------------------|---------------------|
| | 2013 |
| | 2nd-4th quarter (P) |
| On sales | |
| US\$ | 15.0 |
| Euro | 6.4 |
| On operating profit | |
| US\$ | 5.8 |
| Euro | 3.5 |
| | (P)=Projection |

8. STATEMENTS OF CASH FLOWS

| | 2013 | | (Millions of yen) | |
|--|-------------|-----------|-------------------|-----------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Net cash provided by operating activities | 55,414 | 480,000 | 56,126 | 384,077 |
| Net cash used in investing activities | (73,403) | (350,000) | (77,875) | (212,740) |
| Free cash flow | (17,989) | 130,000 | (21,749) | 171,337 |
| Net cash used in financing activities | (84,061) | (160,000) | (131,316) | (319,739) |
| Effect of exchange rate changes on cash and cash equivalents | 28,364 | 33,300 | 25,322 | 41,853 |
| Net change in cash and cash equivalents | (73,686) | 3,300 | (127,743) | (106,549) |
| Cash and cash equivalents at end of period | 592,992 | 670,000 | 645,484 | 666,678 |
| | | | (P)=Projection | |

9. R&D EXPENDITURE

(Millions of yen)

| | 2013 | | 2012 | |
|----------------------------|-------------|----------|-------------|---------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Office | 24,658 | - | 23,299 | 99,484 |
| Imaging System | 20,037 | - | 19,872 | 83,948 |
| Industry and Others | 5,814 | - | 6,220 | 25,635 |
| Corporate and Eliminations | 23,007 | - | 22,640 | 87,397 |
| Total | 73,516 | 315,000 | 72,031 | 296,464 |
| % of sales | 9.0% | 7.9% | 8.7% | 8.5% |

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2013 | | 2012 | |
|-------------------------------|-------------|----------|-------------|---------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Increase in PP&E | 50,793 | 260,000 | 73,664 | 270,457 |
| Depreciation and amortization | 64,340 | 265,000 | 59,873 | 258,133 |

(P)=Projection

11. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2013 | 2012 | |
|---------------------|---------|---------|------------|
| | Mar.31 | Dec.31 | Difference |
| Office | 217,117 | 201,661 | +15,456 |
| Imaging System | 255,807 | 245,973 | +9,834 |
| Industry and Others | 115,709 | 103,989 | +11,720 |
| Total | 588,633 | 551,623 | +37,010 |

(2) Inventories/Sales*

(Days)

| | 2013 | 2012 | |
|---------------------|--------|--------|------------|
| | Mar.31 | Dec.31 | Difference |
| Office | 43 | 43 | 0 |
| Imaging System | 66 | 61 | +5 |
| Industry and Others | 152 | 124 | +28 |
| Total | 61 | 57 | +4 |

*Index based on the previous six months sales.

12. DEBT RATIO

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

13. OVERSEAS PRODUCTION RATIO

| | 2013 | 2012 |
|---------------------------|-------------|------|
| | 1st quarter | Year |
| Overseas production ratio | 58% | 52% |

14. NUMBER OF EMPLOYEES

Edgar Filing: CANON INC - Form 6-K

| | 2013 | 2012 | |
|----------|---------|---------|------------|
| | Mar.31 | Dec.31 | Difference |
| Japan | 69,765 | 70,234 | (469) |
| Overseas | 125,214 | 126,734 | (1,520) |
| Total | 194,979 | 196,968 | (1,989) |

- S5 -