

CANON INC
Form 6-K
July 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 **July**

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 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 . **July 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 SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2013

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2013

July 24, 2013

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

			Actual			
	Three months ended June 30, 2013		Three months ended June 30, 2012	Change(%)	Three months ended June 30, 2013	
Net sales	¥ 966,880		¥ 899,205	+ 7.5	\$ 9,766,465	
Operating profit	98,354		92,596	+ 6.2	993,475	
Income before income taxes	98,868		85,545	+ 15.6	998,667	
Net income attributable to Canon Inc.	¥ 66,496		¥ 51,714	+ 28.6	\$ 671,677	

Net income attributable to Canon Inc. stockholders per share:

- Basic	¥ 57.68		¥ 43.71	+ 32.0	\$ 0.58	
- Diluted	57.68		43.71	+ 32.0	0.58	

CONSOLIDATED RESULTS FOR THE FIRST HALF

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

			Actual				Projected	
	Six months ended June 30, 2013		Six months ended June 30, 2012	Change(%)	Six months ended June 30, 2013	Year ending December 31, 2013	Change(%)	
Net sales	¥ 1,783,533		¥ 1,728,445	+ 3.2	\$ 18,015,485	¥ 3,850,000	+ 10.6	
Operating profit	153,127		175,275	- 12.6	1,546,737	380,000	+ 17.3	
Income before income taxes	159,123		178,269	- 10.7	1,607,303	390,000	+ 13.8	
Net income attributable to Canon Inc.	¥ 107,409		¥ 113,252	- 5.2	\$ 1,084,939	¥ 260,000	+ 15.8	

Net income attributable to Canon Inc. stockholders per share:

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- Basic	¥	93.17	¥	95.26	-	2.2	\$	0.94	¥	225.54	+	17.9
- Diluted		93.17		95.25	-	2.2		0.94		-		-

	As of June 30, 2013	As of December 31, 2012	Actual Change(%)	As of June 30, 2013
Total assets	¥ 4,109,526	¥ 3,955,503	+ 3.9	\$ 41,510,364
Canon Inc. stockholders equity	¥ 2,690,371	¥ 2,598,026	+ 3.6	\$ 27,175,465

- 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 JPY99=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 28, 2013, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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I. Operating Results and Financial Conditions

2013 Second Quarter in Review

Looking back at the global economy in the second quarter of 2013, in the United States, the economic recovery continued moderately ahead of other developed countries amid expanding personal spending backed by improvements in the housing market and employment conditions, while in Europe, the economy as a whole remained sluggish. In China, although the economy continued to grow, the pace of growth weakened and most of the other emerging countries also experienced low growth. The Japanese economy showed signs of recovery with an improvement in the export environment along with the effects of other stimulation measures. Although a recovery was evident in some economies, such as in the U.S., 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 markets. Overall demand for inkjet printers also declined due to the continued weak economy. In the industry and others sector, demand for semiconductor lithography equipment saw an easing of the curb on capital expenditure for memory devices, while lithography equipment used in the production of flat panel displays (FPD) continued to face 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 values of the yen during the second quarter and first half of the year were ¥98.80 and ¥95.96 to the U.S. dollar, respectively, year-on-year depreciations of approximately ¥19 and ¥16, and ¥129.02 and ¥125.90 to the euro, respectively, year-on-year depreciations of approximately ¥27 and ¥22.

Due to the steady sales growth of competitive MFDs and laser printers, along with increased sales of inkjet printers and the positive effect of favorable currency exchange rates, net sales for the second quarter increased 7.5% to ¥966.9 billion (U.S.\$9,766 million) from the year-ago period, while net sales for the six months ended June 30, 2013 totaled ¥1,783.5 billion (U.S.\$18,015 million), a year-on-year increase of 3.2%. The gross profit ratio for the second quarter rose 0.5 points year on year to 49.4%, thanks to the effects of ongoing cost-cutting efforts along with the depreciation of the yen. The gross profit ratio for the first half of the year also increased by 0.3 points to 48.4%. Despite Group-wide efforts to thoroughly reduce spending, foreign-currency-denominated operating expenses increased after conversion into yen due to the depreciation of the yen, resulting in an increase in second-quarter operating expenses of 9.1% year on year to ¥379.0 billion (U.S.\$3,828 million). Consequently, second-quarter operating profit increased by 6.2% to ¥98.4 billion (U.S.\$993 million) compared with the corresponding period of the previous year. Other income increased by ¥7.6 billion (U.S.\$76 million) for the second quarter from the year-ago period due to foreign currency exchange gains while income before income taxes increased by 15.6% year on year to ¥98.9 billion (U.S.\$999 million). Net income attributable to Canon Inc. increased by 28.6% to ¥66.5 billion (U.S.\$672 million) for the second quarter. Operating profit for the first half of the year decreased by 12.6% to ¥153.1 billion (U.S.\$1,547 million) due to the large decline in the first quarter while income before income taxes decreased 10.7% year on year to ¥159.1 billion (U.S.\$1,607 million) for the first six months of the year. Net income attributable to Canon Inc. decreased by 5.2% to ¥107.4 billion (U.S.\$1,085 million) for the first half.

Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥57.68 (U.S.\$0.58), an increase of ¥13.97 (U.S.\$0.14) compared with the corresponding quarter of the previous year, and ¥93.17 (U.S.\$0.94) for the first half of 2013, a year-on-year decrease of ¥2.09 (U.S.\$0.02).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, as for office MFDs, led by the enhanced imageRUNNER ADVANCE C5200/C2200 series lineups, sales of color models increased from the year-ago period. Sales of production printing systems continued to grow steadily, with the new imagePRESS C1+II contributing to healthy sales in Japan. As for high speed continuous feed printers and wide-format printers, sales of the Océ ColorStream 3000 series showed solid growth. Despite the continued shrinking of the market as a whole, laser printers recorded an increase in sales volume year on year owing to sales expansion efforts centered on laser multifunction printers. As a result, second-quarter sales for the business unit totaled ¥520.0 billion (U.S.\$5,253 million), an increase of 14.6% year on year, while operating profit totaled ¥76.2 billion (U.S.\$770 million) an increase of 30.7%. Sales for the combined first six months of the year totaled ¥984.2 billion (U.S.\$9,942 million), increasing 10.4% year on year, while operating profit increased by 22.6% to ¥136.3 billion (U.S.\$1,376 million).

Within the Imaging System Business Unit, sales of EOS 5D Mark III and 6D advanced-amateur-model interchangeable-lens digital cameras continued to grow. Furthermore, in Japan, the new entry-level EOS Digital Rebel SL1/T5i cameras have proved popular, further contributing to sales and helping the company to maintain its top share of the global market. As for digital compact cameras, sales volume declined from the previous year due to the market slowdown and the increasing popularity of smartphones, despite efforts to increase sales through the introduction of such new products as the Powershot SX280 HS, equipped with a high-magnification zoom lens that exceeds the capabilities of lenses offered by smartphones, and the ELPH 115 IS. The Cinema EOS System, which has earned high marks from professionals working in the motion-picture and television production industries, received a boost in product appeal through upgrades in related software aimed at increasing convenience for users. With regard to inkjet printers, although sales volume of hardware dipped from the year-ago period, sales for the segment enjoyed solid growth with an increase in sales of consumable supplies, even when excluding the effects of the favorable foreign exchange rate. As a result of the above, second-quarter sales for the business unit increased by 4.4% to ¥386.0 billion (U.S.\$3,899 million), while operating profit totaled ¥56.3 billion (U.S.\$568 million), an increase of 0.5%. Sales for the first six months totaled ¥684.1 billion (U.S.\$6,910 million), rising 1.6% year on year, while operating profit totaled ¥84.8 billion (U.S.\$856 million), a decrease of 17.5% year on year.

In the Industry and Others Business Unit, although investment in semiconductor lithography equipment used to produce image sensors grew steadily, sales volume of semiconductor lithography equipment declined from the previous year owing to restrained capital expenditure for memory devices due to the inventory correction in the NAND flash memory market. As for FPD lithography equipment, shrinking demand for equipment used in the production of large-size panels led to a sales decline for the period. Consequently, second-quarter sales for the segment totaled ¥85.9 billion (U.S.\$868 million), a year-on-year decrease of 12.6%, while operating profit decreased ¥12.2 billion (U.S.\$123 million), posting a loss of ¥5.8 billion (U.S.\$59 million). Sales for the first half of the year totaled ¥161.0 billion (U.S.\$1,626 million), a decrease of 22.6% year on year, while operating profit recorded a loss of ¥13.4 billion (U.S.\$135 million), a decrease of ¥23.7 billion (U.S.\$239 million), from the year-ago period.

Cash Flow

During the first half of 2013, cash flow from operating activities totaled ¥217.9 billion (U.S.\$2,201 million), an increase of ¥15.9 billion (U.S.\$161 million) compared with the corresponding period of the previous year owing to improvements in working capital through such means as increasing the collection of accounts receivable. Although capital investment focused on new products, cash flow from investing activities increased ¥27.5 billion (U.S.\$278 million) year on year, totaling ¥139.3 billion (U.S.\$1,407 million), due to the increasing amount of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥78.6 billion (U.S.\$794 million), a decrease of ¥11.6 billion (U.S.\$117 million) compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥85.4 billion (U.S.\$862 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 increased by ¥41.1 billion (U.S.\$415 million) year on year to ¥707.8 billion (U.S.\$7,149 million).

Outlook

As for the outlook in the third quarter onward, despite such negative factors as a protracted recession in Europe and the uncertainty of economic growth in China, the global economy is expected to achieve moderate growth buoyed by the aggressive monetary and fiscal policies driving the U.S. and Japanese economies.

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 surpass the previous year's level. Demand for interchangeable-lens digital cameras is expected to continue growing 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, while the decline in demand will taper off in the latter half of the year, for the full year it is expected to drop below that for the previous year. In the industrial equipment market, a recovery in supply-demand balance in the memory device market is expected to lead to renewed investment by device manufacturers in the second half of the year, boosting demand for semiconductor lithography equipment. Demand for FPD lithography equipment will likely pick up in line with the recovery in demand for large-size panels and increasing needs for miniaturization.

With regard to currency exchange rates for the third quarter onward, on which Canon's performance outlook is based, taking into account such uncertainties as the direction of monetary policies in the United States and anxiety over a possible recurrence of Europe's fiscal problems, Canon assumes exchange rates of ¥95 to the U.S. dollar and ¥125 to the euro, representing depreciations of approximately ¥16 against the U.S. dollar, and approximately ¥23 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 ¥3,850.0 billion (U.S.\$38,889 million), a year-on-year increase of 10.6%; operating profit of ¥380.0 billion (U.S.\$3,838 million), a year-on-year increase of 17.3%; income before income taxes of ¥390.0 billion (U.S.\$3,939 million), a year-on-year increase of 13.8%; and net income attributable to Canon Inc. of ¥260.0 billion (U.S.\$2,626 million), a year-on-year increase of 15.8%.

Millions of yen

Fiscal year

	Year ending		Change (B - A)	Year ended		Change (%) (B - C) / C
	December 31, 2013			December 31, 2012		
	Previous Outlook (A)	Revised Outlook (B)		Results (C)		
Net sales	¥ 3,980,000	¥ 3,850,000	¥ (130,000)	¥ 3,479,788		+10.6%
Operating profit	450,000	380,000	(70,000)	323,856		+17.3%
Income before income taxes	450,000	390,000	(60,000)	342,557		+13.8%
Net income attributable to Canon Inc.	¥ 290,000	¥ 260,000	¥ (30,000)	¥ 224,564		+15.8%

Basic Policy Regarding Profit Distribution

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

Canon Inc. plans to distribute an interim dividend of ¥65.00 (U.S.\$0.66) per share for the fiscal year 2013, half the amount of the annual dividend paid out in fiscal 2012 which included the commemorative dividend to mark the 75th anniversary of the company's establishment, to provide a stable return to shareholders. The year-end dividend, however, has yet to be decided.

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**I. CONSOLIDATED BALANCE SHEETS**

	Millions of yen			Thousands of U.S. dollars
	As of June 30, 2013	As of December 31, 2012	Change	As of June 30, 2013
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 707,774	¥ 666,678	¥ 41,096	\$ 7,149,232
Short-term investments	47,349	28,322	19,027	478,273
Trade receivables, net	544,888	573,375	(28,487)	5,503,919
Inventories	582,461	551,623	30,838	5,883,444
Prepaid expenses and other current assets	291,791	262,258	29,533	2,947,385
Total current assets	2,174,263	2,082,256	92,007	21,962,253
Noncurrent receivables	20,599	19,702	897	208,071
Investments	60,741	56,617	4,124	613,545
Property, plant and equipment, net	1,284,058	1,260,364	23,694	12,970,283
Intangible assets, net	138,251	135,736	2,515	1,396,475
Other assets	431,614	400,828	30,786	4,359,737
Total assets	¥ 4,109,526	¥ 3,955,503	¥ 154,023	\$ 41,510,364
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 1,623	¥ 1,866	¥ (243)	\$ 16,394
Trade payables	322,859	325,235	(2,376)	3,261,202
Accrued income taxes	53,634	60,057	(6,423)	541,758
Accrued expenses	274,067	291,348	(17,281)	2,768,354
Other current liabilities	235,549	165,929	69,620	2,379,282
Total current liabilities	887,732	844,435	43,297	8,966,990
Long-term debt, excluding current installments	1,641	2,117	(476)	16,576
Accrued pension and severance cost	283,845	272,131	11,714	2,867,121
Other noncurrent liabilities	88,025	82,518	5,507	889,141
Total liabilities	1,261,243	1,201,201	60,042	12,739,828
Equity:				
Canon Inc. stockholders' equity:				
Common stock	174,762	174,762	-	1,765,273
Additional paid-in capital	401,003	401,547	(544)	4,050,535
Legal reserve	62,124	61,663	461	627,515
Retained earnings	3,090,303	3,138,976	(48,673)	31,215,182
Accumulated other comprehensive income (loss)	(226,173)	(367,249)	141,076	(2,284,576)

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Treasury stock, at cost	(811,648)	(811,673)	25	(8,198,464)
Total Canon Inc. stockholders' equity	2,690,371	2,598,026	92,345	27,175,465
Noncontrolling interests	157,912	156,276	1,636	1,595,071
Total equity	2,848,283	2,754,302	93,981	28,770,536
Total liabilities and equity	¥ 4,109,526	¥ 3,955,503	¥ 154,023	\$ 41,510,364

Millions of yen

Thousands of
U.S. dollars

As of	As of	As of
June 30,	December 31,	June 30,
2013	2012	2013

Notes:

1. Allowance for doubtful receivables	¥ 13,965	¥ 12,970	\$ 141,061
2. Accumulated depreciation	2,278,548	2,159,453	23,015,636
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(111,753)	(247,734)	(1,128,818)
Net unrealized gains and losses on securities	5,959	4,146	60,192
Net gains and losses on derivative instruments	(857)	(4,462)	(8,657)
Pension liability adjustments	(119,522)	(119,199)	(1,207,293)

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

Millions of yen

Results for the second quarter

	Three months ended June 30, 2013	Three months ended June 30, 2012	Change(%)	Thousands of U.S. dollars Three months ended June 30, 2013
Net sales	¥ 966,880	¥ 899,205	+ 7.5	\$ 9,766,465
Cost of sales	489,522	459,284		4,944,667
Gross profit	477,358	439,921	+ 8.5	4,821,798
Operating expenses:				
Selling, general and administrative expenses	301,359	270,003		3,044,030
Research and development expenses	77,645	77,322		784,293
	379,004	347,325		3,828,323
Operating profit	98,354	92,596	+ 6.2	993,475
Other income (deductions):				
Interest and dividend income	1,705	2,012		17,222
Interest expense	(146)	(266)		(1,475)
Other, net	(1,045)	(8,797)		(10,555)
	514	(7,051)		5,192
Income before income taxes	98,868	85,545	+ 15.6	998,667
Income taxes	30,242	32,389		305,475
Consolidated net income	68,626	53,156		693,192
Less: Net income attributable to noncontrolling interests	2,130	1,442		21,515
Net income attributable to Canon Inc.	¥ 66,496	¥ 51,714	+ 28.6	\$ 671,677

Millions of yen

Results for the first half

	Six months ended June 30, 2013	Six months ended June 30, 2012	Change(%)	Thousands of U.S. dollars Six months ended June 30, 2013
Net sales	¥ 1,783,533	¥ 1,728,445	+ 3.2	\$ 18,015,485
Cost of sales	920,262	897,626		9,295,576
Gross profit	863,271	830,819	+ 3.9	8,719,909
Operating expenses:				
Selling, general and administrative expenses	558,983	506,191		5,646,293

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Research and development expenses	151,161	149,353			1,526,879
	710,144	655,544			7,173,172
Operating profit	153,127	175,275	-	12.6	1,546,737
Other income (deductions):					
Interest and dividend income	2,741	3,574			27,687
Interest expense	(251)	(375)			(2,535)
Other, net	3,506	(205)			35,414
	5,996	2,994			60,566
Income before income taxes	159,123	178,269	-	10.7	1,607,303
Income taxes	48,770	61,503			492,626
Consolidated net income	110,353	116,766			1,114,677
Less: Net income attributable to noncontrolling interests	2,944	3,514			29,738
Net income attributable to Canon Inc.	¥ 107,409	¥ 113,252	-	5.2	\$ 1,084,939

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

Millions of yen

Results for the second quarter

	Three months ended June 30, 2013	Three months ended June 30, 2012	Change(%)	Thousands of U.S. dollars Three months ended June 30, 2013
Consolidated net income	¥ 68,626	¥ 53,156	+ 29.1	\$ 693,192
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	51,534	(61,992)		520,545
Net unrealized gains and losses on securities	1,029	(3,008)		10,394
Net gains and losses on derivative instruments	2,672	5,272		26,990
Pension liability adjustments	935	251		9,445
	56,170	(59,477)		567,374
Comprehensive income (loss)	124,796	(6,321)	-	1,260,566
Less: Comprehensive income attributable to noncontrolling interests	2,769	620		27,970
Comprehensive income (loss) attributable to Canon Inc.	¥ 122,027	¥ (6,941)	-	\$ 1,232,596

Millions of yen

Results for the first half

	Six months ended June 30, 2013	Six months ended June 30, 2012	Change(%)	Thousands of U.S. dollars Six months ended June 30, 2013
Consolidated net income	¥ 110,353	¥ 116,766	- 5.5	\$ 1,114,677
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	137,134	8,366		1,385,192
Net unrealized gains and losses on securities	2,155	989		21,768
Net gains and losses on derivative instruments	3,607	897		36,434
Pension liability adjustments	(81)	588		(818)
	142,815	10,840		1,442,576
Comprehensive income	253,168	127,606	+ 98.4	2,557,253
Less: Comprehensive income attributable to noncontrolling interests	4,397	3,536		44,415
Comprehensive income attributable to Canon Inc.	¥ 248,771	¥ 124,070	+ 100.5	\$ 2,512,838

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

Results for the second quarter	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30, 2013	Three months ended June 30, 2012	Change(%)	Three months ended June 30, 2013
Sales by business unit				
Office	¥ 520,032	¥ 453,862	+ 14.6	\$ 5,252,848
Imaging System	386,013	369,734	+ 4.4	3,899,121
Industry and Others	85,948	98,348	- 12.6	868,162
Eliminations	(25,113)	(22,739)	-	(253,666)
Total	¥ 966,880	¥ 899,205	+ 7.5	\$ 9,766,465

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30, 2013	Three months ended June 30, 2012	Change(%)	Three months ended June 30, 2013
Japan	¥ 175,654	¥ 178,849	- 1.8	\$ 1,774,283
Overseas:				
<i>Americas</i>	282,082	243,180	+ 16.0	2,849,313
<i>Europe</i>	295,944	258,936	+ 14.3	2,989,333
<i>Asia and Oceania</i>	213,200	218,240	- 2.3	2,153,536
	791,226	720,356	+ 9.8	7,992,182
Total	¥ 966,880	¥ 899,205	+ 7.5	\$ 9,766,465

Results for the first half	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2013	Six months ended June 30, 2012	Change(%)	Six months ended June 30, 2013
Sales by business unit				
Office	¥ 984,238	¥ 891,901	+ 10.4	\$ 9,941,798
Imaging System	684,120	673,210	+ 1.6	6,910,303
Industry and Others	161,015	208,130	- 22.6	1,626,414
Eliminations	(45,840)	(44,796)	-	(463,030)
Total	¥ 1,783,533	¥ 1,728,445	+ 3.2	\$ 18,015,485

Sales by region	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2013	Six months ended June 30, 2012	Change(%)	Six months ended June 30, 2013
Japan	¥ 335,372	¥ 355,724	- 5.7	\$ 3,387,596
Overseas:				
<i>Americas</i>	514,084	453,528	+ 13.4	5,192,768
<i>Europe</i>	542,309	503,389	+ 7.7	5,477,869
<i>Asia and Oceania</i>	391,768	415,804	- 5.8	3,957,252

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	1,448,161	1,372,721	+	5.5	14,627,889
Total	¥ 1,783,533	¥ 1,728,445	+	3.2	\$ 18,015,485

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
	Six months ended June 30, 2013	Six months ended June 30, 2012	Six months ended June 30, 2013
Cash flows from operating activities:			
Consolidated net income	¥ 110,353	¥ 116,766	\$ 1,114,677
Adjustments to reconcile consolidated net income to net cash provided			
by operating activities:			
Depreciation and amortization	131,653	120,906	1,329,828
Loss on disposal of fixed assets	4,386	7,380	44,303
Deferred income taxes	(339)	(1,428)	(3,424)
Decrease in trade receivables	71,357	32,233	720,778
(Increase) decrease in inventories	18,269	(63,586)	184,535
Decrease in trade payables	(55,633)	(1,273)	(561,949)
Increase (decrease) in accrued income taxes	(7,416)	17,231	(74,909)
Decrease in accrued expenses	(38,616)	(36,987)	(390,061)
Increase (decrease) in accrued (prepaid) pension and severance cost	(874)	1,763	(8,828)
Other, net	(15,251)	8,962	(154,051)
Net cash provided by operating activities	217,889	201,967	2,200,899
Cash flows from investing activities:			
Purchases of fixed assets	(119,809)	(162,481)	(1,210,192)
Proceeds from sale of fixed assets	1,062	1,287	10,727
Purchases of available-for-sale securities	(2,654)	(152)	(26,808)
Proceeds from sale and maturity of available-for-sale securities	3,141	189	31,727
(Increase) decrease in time deposits, net	(15,745)	49,998	(159,040)
Acquisitions of subsidiaries, net of cash acquired	(4,914)	(704)	(49,636)
Purchases of other investments	(209)	(259)	(2,111)
Other, net	(138)	345	(1,394)
Net cash used in investing activities	(139,266)	(111,777)	(1,406,727)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	1,101	389	11,121
Repayments of long-term debt	(1,345)	(1,181)	(13,586)
Decrease in short-term loans, net	(563)	(3,616)	(5,687)
Dividends paid	(80,695)	(72,092)	(815,101)
Repurchases of treasury stock, net	13	(99,970)	131
Other, net	(3,865)	(11,071)	(39,040)
Net cash used in financing activities	(85,354)	(187,541)	(862,162)
Effect of exchange rate changes on cash and cash equivalents	47,827	(1,829)	483,101
Net change in cash and cash equivalents	41,096	(99,180)	415,111
Cash and cash equivalents at beginning of period	666,678	773,227	6,734,121
Cash and cash equivalents at end of period	¥ 707,774	¥ 674,047	\$ 7,149,232

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 second quarter</u>	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30, 2013	Three months ended June 30, 2012	Change(%)	Three months ended June 30, 2013
Office				
Net sales:				
External customers	¥ 517,455	¥ 452,682	+ 14.3	\$ 5,226,818
Intersegment	2,577	1,180	+ 118.4	26,030
Total	520,032	453,862	+ 14.6	5,252,848
Operating cost and expenses	443,840	395,550	+ 12.2	4,483,232
Operating profit	¥ 76,192	¥ 58,312	+ 30.7	\$ 769,616
Imaging System				
Net sales:				
External customers	¥ 385,833	¥ 369,297	+ 4.5	\$ 3,897,303
Intersegment	180	437	- 58.8	1,818
Total	386,013	369,734	+ 4.4	3,899,121
Operating cost and expenses	329,735	313,721	+ 5.1	3,330,656
Operating profit	¥ 56,278	¥ 56,013	+ 0.5	\$ 568,465
Industry and Others				
Net sales:				
External customers	¥ 63,592	¥ 77,226	- 17.7	\$ 642,344
Intersegment	22,356	21,122	+ 5.8	225,818
Total	85,948	98,348	- 12.6	868,162
Operating cost and expenses	91,778	92,016	- 0.3	927,051
Operating profit (loss)	¥ (5,830)	¥ 6,332	-	\$ (58,889)

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Corporate and Eliminations

Net sales:

External customers	¥ -	¥ -	-	\$ -
Intersegment	(25,113)	(22,739)	-	(253,666)
Total	(25,113)	(22,739)	-	(253,666)
Operating cost and expenses	3,173	5,322	-	32,051
Operating profit	¥ (28,286)	¥ (28,061)	-	\$ (285,717)

Consolidated

Net sales:

External customers	¥ 966,880	¥ 899,205	+	7.5	\$ 9,766,465
Intersegment	-	-	-	-	-
Total	966,880	899,205	+	7.5	9,766,465
Operating cost and expenses	868,526	806,609	+	7.7	8,772,990
Operating profit	¥ 98,354	¥ 92,596	+	6.2	\$ 993,475

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

<u>Results for the first half</u>	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2013	Six months ended June 30, 2012	Change(%)	Six months ended June 30, 2013
Office				
Net sales:				
External customers	¥ 979,585	¥ 889,608	+ 10.1	\$ 9,894,798
Intersegment	4,653	2,293	+ 102.9	47,000
Total	984,238	891,901	+ 10.4	9,941,798
Operating cost and expenses	847,975	780,743	+ 8.6	8,565,404
Operating profit	¥ 136,263	¥ 111,158	+ 22.6	\$ 1,376,394
Imaging System				
Net sales:				
External customers	¥ 683,760	¥ 672,314	+ 1.7	\$ 6,906,667
Intersegment	360	896	- 59.8	3,636
Total	684,120	673,210	+ 1.6	6,910,303
Operating cost and expenses	599,361	570,463	+ 5.1	6,054,151
Operating profit	¥ 84,759	¥ 102,747	- 17.5	\$ 856,152
Industry and Others				
Net sales:				
External customers	¥ 120,188	¥ 166,523	- 27.8	\$ 1,214,020
Intersegment	40,827	41,607	- 1.9	412,394
Total	161,015	208,130	- 22.6	1,626,414
Operating cost and expenses	174,381	197,805	- 11.8	1,761,424
Operating profit (loss)	¥ (13,366)	¥ 10,325	-	\$ (135,010)
Corporate and Eliminations				
Net sales:				
External customers	¥ -	¥ -	-	\$ -
Intersegment	(45,840)	(44,796)	-	(463,030)
Total	(45,840)	(44,796)	-	(463,030)
Operating cost and expenses	8,689	4,159	-	87,769
Operating profit	¥ (54,529)	¥ (48,955)	-	\$ (550,799)

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Consolidated

Net sales:

External customers	¥ 1,783,533	¥ 1,728,445	+	3.2	\$ 18,015,485
Intersegment	-	-		-	-
Total	1,783,533	1,728,445	+	3.2	18,015,485
Operating cost and expenses	1,630,406	1,553,170	+	5.0	16,468,748
Operating profit	¥ 153,127	¥ 175,275	-	12.6	\$ 1,546,737

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CANON INC. AND SUBSIDIARIES

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(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

<u>Results for the second quarter</u>	Millions of yen			Thousands of U.S. dollars	
	Three months ended June 30, 2013	Three months ended June 30, 2012	Change(%)	Three months ended June 30, 2013	
Japan					
Net sales:					
External customers	¥ 187,085	¥ 204,579	- 8.6	\$ 1,889,747	
Intersegment	473,150	474,836	- 0.4	4,779,293	
Total	660,235	679,415	- 2.8	6,669,040	
Operating cost and expenses	563,567	578,793	- 2.6	5,692,596	
Operating profit	¥ 96,668	¥ 100,622	- 3.9	\$ 976,444	
Americas					
Net sales:					
External customers	¥ 281,609	¥ 241,097	+ 16.8	\$ 2,844,535	
Intersegment	4,067	6,871	- 40.8	41,081	
Total	285,676	247,968	+ 15.2	2,885,616	
Operating cost and expenses	277,724	243,642	+ 14.0	2,805,293	
Operating profit	¥ 7,952	¥ 4,326	+ 83.8	\$ 80,323	
Europe					
Net sales:					
External customers	¥ 296,132	¥ 258,445	+ 14.6	\$ 2,991,232	
Intersegment	14,370	1,527	+ 841.1	145,152	
Total	310,502	259,972	+ 19.4	3,136,384	
Operating cost and expenses	311,449	254,182	+ 22.5	3,145,950	
Operating profit (loss)	¥ (947)	¥ 5,790	-	\$ (9,566)	
Asia and Oceania					
Net sales:					
External customers	¥ 202,054	¥ 195,084	+ 3.6	\$ 2,040,951	
Intersegment	227,645	209,021	+ 8.9	2,299,443	
Total	429,699	404,105	+ 6.3	4,340,394	
Operating cost and expenses	414,334	392,890	+ 5.5	4,185,192	

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Operating profit	¥ 15,365	¥ 11,215	+	37.0	\$ 155,202
Corporate and Eliminations					
Net sales:					
External customers	¥ -	¥ -	-	-	\$ -
Intersegment	(719,232)	(692,255)	-	-	(7,264,969)
Total	(719,232)	(692,255)	-	-	(7,264,969)
Operating cost and expenses	(698,548)	(662,898)	-	-	(7,056,041)
Operating profit	¥ (20,684)	¥ (29,357)	-	-	\$ (208,928)
Consolidated					
Net sales:					
External customers	¥ 966,880	¥ 899,205	+	7.5	\$ 9,766,465
Intersegment	-	-	-	-	-
Total	966,880	899,205	+	7.5	9,766,465
Operating cost and expenses	868,526	806,609	+	7.7	8,772,990
Operating profit	¥ 98,354	¥ 92,596	+	6.2	\$ 993,475

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

<u>Results for the first half</u>	Millions of yen			Thousands of U.S. dollars	
	Six months ended June 30, 2013	Six months ended June 30, 2012	Change(%)		Six months ended June 30, 2013
Japan					
Net sales:					
External customers	¥ 358,959	¥ 413,794	-	13.3	\$ 3,625,848
Intersegment	898,876	935,009	-	3.9	9,079,556
Total	1,257,835	1,348,803	-	6.7	12,705,404
Operating cost and expenses	1,097,394	1,175,625	-	6.7	11,084,788
Operating profit	¥ 160,441	¥ 173,178	-	7.4	\$ 1,620,616
Americas					
Net sales:					
External customers	¥ 510,984	¥ 448,099	+	14.0	\$ 5,161,455
Intersegment	6,645	12,089	-	45.0	67,121
Total	517,629	460,188	+	12.5	5,228,576
Operating cost and expenses	506,351	451,630	+	12.1	5,114,657
Operating profit	¥ 11,278	¥ 8,558	+	31.8	\$ 113,919
Europe					
Net sales:					
External customers	¥ 542,861	¥ 502,481	+	8.0	\$ 5,483,444
Intersegment	26,101	3,053	+	754.9	263,647
Total	568,962	505,534	+	12.5	5,747,091
Operating cost and expenses	575,923	488,851	+	17.8	5,817,404
Operating profit (loss)	¥ (6,961)	¥ 16,683	-		\$ (70,313)
Asia and Oceania					
Net sales:					
External customers	¥ 370,729	¥ 364,071	+	1.8	\$ 3,744,738
Intersegment	418,173	406,227	+	2.9	4,223,969
Total	788,902	770,298	+	2.4	7,968,707
Operating cost and expenses	759,348	738,234	+	2.9	7,670,182
Operating profit	¥ 29,554	¥ 32,064	-	7.8	\$ 298,525

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Corporate and Eliminations

Net sales:				
External customers	¥ -	¥ -	-	\$ -
Intersegment	(1,349,795)	(1,356,378)	-	(13,634,293)
Total	(1,349,795)	(1,356,378)	-	(13,634,293)
Operating cost and expenses	(1,308,610)	(1,301,170)	-	(13,218,283)
Operating profit	¥ (41,185)	¥ (55,208)	-	\$ (416,010)

Consolidated

Net sales:				
External customers	¥ 1,783,533	¥ 1,728,445	+ 3.2	\$ 18,015,485
Intersegment	-	-	-	-
Total	1,783,533	1,728,445	+ 3.2	18,015,485
Operating cost and expenses	1,630,406	1,553,170	+ 5.0	16,468,748
Operating profit	¥ 153,127	¥ 175,275	- 12.6	\$ 1,546,737

CANON INC. AND SUBSIDIARIES

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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

	June 30, 2013	December 31, 2012	Change
Subsidiaries	271	275	(4)
Affiliates	9	9	-
Total	280	284	(4)

2. Change in Group Entities

Subsidiaries	
Addition:	16 companies
Removal:	20 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 SECOND QUARTER
AND THE FIRST HALF ENDED JUNE 30, 2013**