

CANON INC  
Form 6-K  
February 01, 2017

**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Issuer**

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

For the month of **January** **2017** ,

**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 . **February 1, 2017**

By /s/ Eiji Shimizu  
(Signature)\*

Eiji Shimizu

General Manager

Consolidated Accounting Div.

Canon Inc.

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

The following materials are included.

1. RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2016

**RESULTS FOR THE FOURTH QUARTER**  
**AND THE FISCAL YEAR ENDED DECEMBER 31, 2016**

January 31, 2017

**CONSOLIDATED RESULTS**

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

|  | Actual                          |                                 |           | Projected                       |                                  |           |
|--|---------------------------------|---------------------------------|-----------|---------------------------------|----------------------------------|-----------|
|  | Year ended<br>December 31, 2016 | Year ended<br>December 31, 2015 | Change(%) | Year ended<br>December 31, 2016 | Year ending<br>December 31, 2017 | Change(%) |
| Net sales  | ¥ 3,401,487                     | ¥ 3,800,271                     | - 10.5    | \$ 29,323,164                   | ¥ 4,000,000                      | + 17.6    |
| Operating profit   | 228,866                         | 355,210                         | - 35.6    | 1,972,983                       | 255,000                          | + 11.4    |
| Income before<br>income taxes  | 244,651                         | 347,438                         | - 29.6    | 2,109,060                       | 260,000                          | + 6.3     |
| Net income<br>attributable<br>to                                     |                                 |                                 |           |                                 |                                  |           |
| Canon Inc.   | ¥ 150,650                       | ¥ 220,209                       | - 31.6    | \$ 1,298,707                    | ¥ 170,000                        | + 12.8    |
| <b>Net income attributable to Canon Inc. shareholders per share:</b> |                                 |                                 |           |                                 |                                  |           |
| - Basic  | ¥ 137.95                        | ¥ 201.65                        | - 31.6    | \$ 1.19                         | ¥ 155.67                         | + 12.8    |
| - Diluted  | 137.95                          | 201.65                          | - 31.6    | 1.19                            | -                                | -         |

|                                      | Actual                        |                               |           | As of<br>December 31,<br>2016 |
|--------------------------------------|-------------------------------|-------------------------------|-----------|-------------------------------|
|                                      | As of<br>December<br>31, 2016 | As of<br>December 31,<br>2015 | Change(%) |                               |
| Total assets                         | ¥ 5,138,529                   | ¥ 4,427,773                   | + 16.1    | \$ 44,297,664                 |
| Canon Inc.<br>shareholders<br>equity | ¥ 2,783,129                   | ¥ 2,966,415                   | - 6.2     | \$ 23,992,491                 |

- 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 116= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2016, solely for the convenience of the reader.

**NON-CONSOLIDATED RESULTS**

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

|                  | Actual                          |                                 |           |                                 |
|------------------|---------------------------------|---------------------------------|-----------|---------------------------------|
|                  | Year ended<br>December 31, 2016 | Year ended<br>December 31, 2015 | Change(%) | Year ended<br>December 31, 2016 |
| Net sales        | ¥ 1,763,987                     | ¥ 2,091,139                     | - 15.6    | \$ 15,206,784                   |
| Operating profit | 67,543                          | 169,238                         | - 60.1    | 582,267                         |
| Ordinary profit  | 158,359                         | 269,818                         | - 41.3    | 1,365,164                       |
| Net income       | ¥ 133,055                       | ¥ 211,963                       | - 37.2    | \$ 1,147,026                    |

Net income per share:

|                    |          |          |        |         |
|--------------------|----------|----------|--------|---------|
| - Basic            | ¥ 121.84 | ¥ 194.10 | - 37.2 | \$ 1.05 |
| - Diluted          | 121.84   | 194.10   | - 37.2 | 1.05    |
| Dividend per share | 150.00   | 150.00   | -      | 1.29    |

|              | Actual                     |                            |           |                            |
|--------------|----------------------------|----------------------------|-----------|----------------------------|
|              | As of<br>December 31, 2016 | As of<br>December 31, 2015 | Change(%) | As of<br>December 31, 2016 |
| Total assets | ¥ 3,176,703                | ¥ 2,437,924                | + 30.3    | \$ 27,385,371              |
| Net assets   | ¥ 1,452,646                | ¥ 1,484,157                | - 2.1     | \$ 12,522,810              |

Notes: U.S. dollar amounts are translated from yen at the rate of JPY 116= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2016, 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

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## I. Operating Results and Financial Conditions

### 2016 in Review

Looking back at the global economy in 2016, the trend of recovery in the U.S. economy became stronger as employment conditions and consumer spending progressively improved from the latter half of the year. In Europe, although the economy grew moderately, centered on Germany, the outlook for the region's economy has grown increasingly uncertain due to concerns over the UK's decision to exit the EU and the political unrest in Syria. The Chinese economy continued its deceleration trend while the economies of emerging countries such as Russia and Brazil remained stagnant. In Japan, the economy remained weak due to weak consumer spending. Looking at the global economy as a whole, although higher growth than the previous year was expected at the beginning of the year, the global economy overall experienced its lowest level of growth since the financial crisis precipitated by Lehman Brothers' bankruptcy.

As for the markets in which Canon operates amid these conditions, regarding the demand for office multifunction devices (MFDs) and laser printers, the demand for color models enjoyed strong growth due to the trend of shifting from monochrome to color machines, while the demand for monochrome shrunk due to the continued economic slowdown in emerging countries. As for cameras, along with the ongoing contraction of the market, especially for digital compact cameras, the market suffered from a shortage of components arising from the earthquake in Kumamoto earlier in the year. Additionally, demand for inkjet printers continued to decline. Within the Industry and Other sector, demand for lithography equipment used in the production of flat panel displays (FPDs) and manufacturing equipment for organic LED (OLED) displays enjoyed strong growth thanks to active capital investment by panel manufacturers.

The average value of the yen during the year was ¥108.58 against the U.S. dollar, a year-on-year appreciation of approximately ¥13, and ¥120.25 against the euro, a year-on-year appreciation of approximately ¥14, which had a negative impact of ¥280.4 billion on net sales and of ¥101.8 billion on operating profit.

During 2016, color-model office MFDs achieved higher growth than the market average, making up for the continued decline of monochrome models, which led to the same level of unit sales as the previous year overall. Although the unit sales of laser printers were below level compared with the same period of the previous year until the third quarter, due to the sluggish economic conditions in the emerging countries, signs of bottoming out started to appear in the fourth quarter. Looking at the interchangeable-lens digital cameras, sales volume for the year exceeded that of the previous year, supported by sales of new products, while sales volume for digital compact cameras declined compared with the previous year amid the ongoing contraction of the market. Sales volume for inkjet printers declined for consumer products, while sales volume of wide format inkjet printers for business use exceeded the previous year. In contrast, sales of FPD lithography equipment and OLED panel manufacturing equipment increased, boosted by increased capital investment by panel manufacturers. Consequently, along with the negative impact of the appreciation of the yen, net sales for the year decreased 10.5% year on year to ¥3,401.5 billion. The gross profit ratio decreased by 1.7 points year on year to 49.2% mainly due to the negative effect of yen's appreciation. Despite a reduction in operating expenses of 8.5% year on year, partly due to Group-wide efforts to reduce spending, operating profit decreased by 35.6% to ¥228.9 billion. Other income (deductions) increased by ¥23.6 billion due to foreign currency exchange gains while income before income taxes decreased by 29.6% year on year to ¥244.7 billion and net income attributable to Canon Inc. decreased by 31.6% to ¥150.7 billion.

In December 2016, all shares of Toshiba Medical Systems Corporation (TMSC) were obtained following the completion of necessary clearance procedures by antitrust authorities, and TMSC joined the Canon Group.

Basic net income attributable to Canon Inc. shareholders per share for the year was ¥137.95, a year-on-year decrease of ¥63.70.



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## Results by Segment

Looking at Canon's full-year performance by business unit, beginning with the Office Business Unit, unit sales of office MFDs increased overall from the previous year thanks to strong sales of color models, even with the continued decrease in sales of monochrome models. This growth was supported by steady sales of the color A3 (12 x18 ) imageRUNNER ADVANCE C5500-series models, which were released this year, and the small-office/home-office color A3 (12 x18 ) imageRUNNER C3300-series models, which were launched in the previous year, along with expanded sales of imagePRESS C10000VP-series models, which target the production printing market. Among high-speed continuous-feed printers, unit sales of the Océ-produced VarioPrint i300, a high-speed sheet-fed color inkjet press, increased year on year. Although the unit sales of laser printers had been below level against the same period of the previous year until the third quarter, due to the sluggish economic conditions in the emerging countries, unit sales exceeded the same period of the year at fourth quarter along with a smooth transition to new models as planned. These factors, coupled with the negative effect of unfavorable currency exchange rates, resulted in total sales for the business unit of ¥1,807.8 billion, a year-on-year decline of 14.4%, while operating profit totaled ¥169.5 billion, a year-on-year decline of 41.7%.

Within the Imaging System Business Unit, sales volume for interchangeable-lens digital cameras grew compared with the previous year owing to healthy demand for the EOS-1D X mark II and the EOS 5D mark IV, which were launched this year, and the launch of a new addition to the Company's strengthening compact-system camera lineup, the EOS M5, which features a built-in EVF. As for digital compact cameras, along with the ongoing contraction of the market, sales volume declined amid difficulties in procuring components due to the earthquake in Kumamoto earlier in the year, with much of the profitability generated by sales of high-added-value models that deliver high image quality and zoom capabilities. As for inkjet printers, although sales volume declined compared with the previous year due to a shrinking market for consumer products, sales of models equipped with large-capacity ink tanks that were launched in the fourth quarter of 2015 experienced healthy demand mainly in emerging countries, while demand was high mainly in Japan for newly designed models for home use that were launched in 2016. Additionally, wide format inkjet printers, new imagePROGRAF PRO-series models, which target the professional photo and graphic art market, saw an increase in unit sales. As a result of these factors, along with the negative effect of unfavorable currency exchange rates, sales for the business unit decreased by 13.3% to ¥1,095.3 billion while operating profit totaled ¥144.4 billion, a year-on-year decline of 21.3%.

In the Industry and Other Business Unit, unit sales of semiconductor lithography equipment decreased from the previous year amid the postponement of some capital investments by customers. As for FPD lithography equipment, unit sales of lithography systems employed in the fabrication of mid- and small-size panels increased in response to growing demand for high-definition OLED displays used in mobile devices. Also, sales of manufacturing equipment for OLED displays, which is sold by Canon Tokki, increased amid brisk capital investment by panel manufacturers. In addition, sales of network camera increased compared with the previous year thanks to efforts to strengthen the product lineup. Consequently, sales for the business unit increased 11.4% year-on-year to ¥584.7 billion while operating profit grew by ¥20.5 billion to ¥7.4 billion.

## Cash Flow

During 2016, cash flow from operating activities totaled ¥500.3 billion, an increase of ¥25.6 billion compared with the previous year owing to improvements in working capital. Cash flow from investing activities increased ¥383.5 billion year on year to ¥837.1 billion mainly due to the acquisition of all of the shares of TMSK. Accordingly, free cash flow totaled negative ¥336.8 billion, a decrease of ¥357.9 billion compared with the previous year.

Cash flow from financing activities recorded proceeds of ¥355.7 billion, mainly owing to a bank borrowing related to the acquisition of TMSK.

Owing to these factors, as well as the negative impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥3.4 billion to ¥630.2 billion from the end of the previous year.



## **Non-consolidated Results**

Non-consolidated net sales totaled ¥1,764.0 billion, a year-on-year decrease of 15.6%, while ordinary profit decreased by 41.3% to ¥158.4 billion and net income decreased by 37.2% to ¥133.1 billion.

## **Outlook**

As for the outlook in 2017, the U.S. economy is expected to grow thanks to its continued gradual recovery as employment conditions improve and expectations surrounding the financial policy of the new administration. Looking at the European economy, the declining cohesion of the EU resulting from the U.K.'s decision to leave the EU has caused increasing uncertainty for economic growth projections. As for emerging economies, although the outlook indicates signs of recovery for Russia and Brazil whose economies have experienced negative growth so far, the economic slowdown in China is expected to be prolonged.

The outlook for the Japanese economy, despite signs of a recovery in employment conditions, indicates prolonged sluggish consumer spending and the market is expected to remain along a path of moderate growth. Overall, while the U.S. economy performs the role of the driving force of the world economy, the global economy is expected to move toward a moderate recovery.

In the businesses in which Canon is involved, among office MFDs, demand for color models makes up for the market contraction of monochrome models and demand is expected to remain in line with that of the previous year overall. Although demand for laser printers is expected to remain at the same level as that for the previous year, demand for color models and laser multifunction models with high potential consumable sales is expected to increase. As for interchangeable-lens digital cameras, although demand is waning mainly in developed countries, the sluggish demand condition is improving gradually, which is expected to bottom out. Projections for digital compact cameras indicate continued market contraction, centered mainly on low-priced models. With regard to inkjet printers, demand is expected to continue declining mainly for consumer models. Looking at industrial equipment, within the semiconductor lithography equipment segment, the market is expected to remain at the same level as the previous year while the outlook for FPD lithography equipment and OLED display manufacturing equipment points to continued active capital investment by panel manufacturers. The network camera market is also expected to grow in response to increasing marketing and production site efficiency-enhancing needs, in addition to disaster monitoring and crime prevention functions.

With regard to currency exchange rates for the year, on which the Company's performance outlook is based, Canon anticipates exchange rates of ¥110 to the U.S. dollar and ¥120 to the euro, representing a depreciation of approximately ¥1 against the U.S. dollar and approximately same level against the euro compared with the annual average rates of the previous year.

Upon taking into consideration the impact of the acquisition of TMSC and the current economic forecast, Canon projects full-year consolidated net sales in 2017 of ¥4,000.0 billion, a year-on-year increase of 17.6%; operating profit of ¥255.0 billion, a year-on-year increase of 11.4%; income before income taxes of ¥260.0 billion, a year-on-year increase of 6.3%; and net income attributable to Canon Inc. of ¥170.0 billion, a year-on-year increase of 12.8%.

## **Basic Policy Regarding Profit Distribution and Dividends for the Current Fiscal Year**

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

In 2016, Canon undertook such large investments for future growth as the acquisition of TMSC. Thanks, however, to efforts to boost product competitiveness and strengthen the Company's financial position through a management focus

on profitability and cash flow, Canon was able to maintain its strong financial position. Taking this into consideration while seeking to actively provide a stable return to shareholders, Canon has decided to distribute a full-year dividend of ¥150 per share, (interim dividend of ¥75 per share [already distributed] and year-end dividend of ¥75), which is the same as the previous year's dividend.

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

## II. Group Position

### (1) Number of group companies

|              | December 31, 2016 | December 31, 2015 | Change |  |
|--------------|-------------------|-------------------|--------|--|
| Subsidiaries | 367               | 317               | 50     |  |
| Affiliates   | 9                 | 5                 | 4      |  |
| Total        | 376               | 322               | 54     |  |

### (2) Group structure and major companies

### **III. Management Policy**

#### **(1) Basic Policy**

Under the corporate philosophy of kyosei living and working together for the common good Canon's basic management policy is to contribute to the prosperity and well-being of the world while endeavoring to become a truly excellent global corporation targeting continued growth and development.

#### **(2) Management Goals**

Based on this basic management policy, Canon launched the Excellent Global Corporation Plan in 1996 and, from Phase I through to Phase IV, has worked to strengthen its management base and improve corporate value. In 2016, under the slogan Embracing the challenge of new growth through a grand strategic transformation, Canon embarked on a new five-year initiative: Phase V of the Excellent Global Corporation Plan. Under this plan, Canon aims to facilitate growth through structural transformation by reinforcing existing businesses and taking steps to cultivate and strengthen new businesses.

Regarding new businesses, Canon is particularly focused on areas where market expansion is expected in the future, namely such B2B spheres as commercial printing, network cameras, healthcare and industrial equipment. As part of such efforts, Toshiba Medical Systems Corporation (TMSC), a leading company in the medical equipment industry, was made a Canon subsidiary in December of 2016, the first year of Phase V. Through this acquisition, Canon was able to make significant progress in establishing a foundation for new businesses.

#### **(3) Business Challenges and Countermeasures**

Although the IMF is projecting a modest pickup in the global economy in 2017, political and economic circumstances are expected to remain highly uncertain.

2017 marks not only the second year of Phase V of the Excellent Global Corporation Plan, but also Canon's 80th anniversary. To ensure that 2017 is a year befitting this milestone, Canon is addressing the following key challenges under the theme Further promoting grand strategic transformation by accelerating reforms.

##### **1. Thoroughly bolster existing business**

In order to successfully transform its business structure, Canon will work to improve profitability by reinforcing the existing businesses that will support this transformation. Specifically, Canon will accelerate the development of Dantotsu Products, which are products with unique appeal and strengths that realize high profitability thanks to their difficulty to imitate. At the same time, Canon will advance such initiatives as automation, in-house production, and procurement reform, in order to achieve a cost-of-sales ratio of 45%. Additionally, Canon will expand its business domains, developing new business models in response to the internet of things (IoT) and cloud environments.

##### **2. Strengthen and grow new businesses and create future businesses**

For commercial printing, with the aim of becoming a comprehensive printing company, Canon will accelerate product development in order to make a full-scale entry into the fast-growing package printing market. Regarding network cameras, Canon will work to strengthen camera intelligence, by not only improving image quality, but leveraging the image-processing and image-analytics technologies at its disposal in order to create market-specific solutions. As for healthcare, Canon will formulate new growth strategies, built around TMSC, and will exert the Group's comprehensive

strength to provide innovative products and high-quality services on a global scale. For industrial equipment, such as IC lithography equipment that utilizes nanoimprint lithography, Canon will formulate new business strategies to pioneer a fourth industrial revolution driven by artificial intelligence and IoT.

3. Restructure the global sales network

In the B2B sphere, success or failure is determined by the capacity to devise and implement solutions. In addition to training highly skilled sales engineers with a breadth of technical knowledge spanning both hardware and software, Canon will establish a sales structure with networks that expand to corporations and governments. Additionally, Canon will formulate global sales strategies that take full advantage of the expansion and development of e-commerce.

4. Strengthen R&D through open innovation

Canon will enhance R&D efficiency in existing business fields and be selective in investment in promising new fields. On top of this, aiming to establish and expand service businesses, Canon will train software engineers, develop systems and accelerate the establishment of an external cooperation system.

5. Cultivate global human resources and reinvigorate the Canon spirit

An enterprising spirit and the San-ji (Three Selves) Spirit of self-motivation, self-management, and self-awareness, have been basic components of Canon's corporate DNA since its foundation. Canon is now working to re-instill these values as we promote the development of human resources that are able to exert leadership in a global environment.

**IV. Basic Concept Regarding the Selection of Accounting Standards**

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

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

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## V. Financial Statements

1. CONSOLIDATED BALANCE SHEETS

|  | Millions of yen            |                            |           |
|--|----------------------------|----------------------------|-----------|
|  | As of<br>December 31, 2016 | As of<br>December 31, 2015 | Change    |
| <b>ASSETS</b>  |                            |                            |           |
| Current assets:  |                            |                            |           |
| Cash and cash equivalents                              | ¥ 630,193                  | ¥ 633,613                  | ¥ (3,420) |
| Short-term investments                                 | 3,206                      | 20,651                     | (17,445)  |
| Trade receivables, net                                 | 641,458                    | 588,001                    | 53,457    |
| Inventories  | 560,736                    | 501,895                    | 58,841    |
| Prepaid expenses and other current assets              | 264,155                    | 313,019                    | (48,864)  |
| Total current assets                                   | 2,099,748                  | 2,057,179                  | 42,569    |
| Noncurrent receivables                                 | 29,297                     | 29,476                     | (179)     |
| Investments  | 73,680                     | 67,862                     | 5,818     |
| Property, plant and equipment, net                     | 1,194,976                  | 1,219,652                  | (24,676)  |
| Intangible assets, net                                 | 446,268                    | 241,208                    | 205,060   |
| Goodwill   | 936,424                    | 478,943                    | 457,481   |
| Other assets   | 358,136                    | 333,453                    | 24,683    |
| Total assets   | ¥ 5,138,529                | ¥ 4,427,773                | ¥ 710,756 |
| <b>LIABILITIES AND EQUITY</b>                          |                            |                            |           |
| Current liabilities:                                   |                            |                            |           |
| Short-term loans and current portion of long-term debt | ¥ 1,850                    | ¥ 688                      | ¥ 1,162   |
| Trade payables   | 372,269                    | 278,255                    | 94,014    |
| Accrued income taxes                                   | 30,514                     | 47,431                     | (16,917)  |
| Accrued expenses                                       | 304,901                    | 317,653                    | (12,752)  |
| Other current liabilities                              | 273,835                    | 171,302                    | 102,533   |
| Total current liabilities                              | 983,369                    | 815,329                    | 168,040   |
| Long-term debt, excluding current installments         | 611,289                    | 881                        | 610,408   |
| Accrued pension and severance cost                     | 407,200                    | 296,262                    | 110,938   |
| Other noncurrent liabilities                           | 142,049                    | 130,838                    | 11,211    |
| Total liabilities                                      | 2,143,907                  | 1,243,310                  | 900,597   |



## Equity:

## Canon Inc. shareholders' equity:

|   |                    |             |           |
|---|--------------------|-------------|-----------|
| Common stock                                  | <b>174,762</b>     | 174,762     | -         |
| Additional paid-in capital                    | <b>401,385</b>     | 401,358     | 27        |
| Legal reserve                                 | <b>66,558</b>      | 65,289      | 1,269     |
| Retained earnings                             | <b>3,350,728</b>   | 3,365,158   | (14,430)  |
| Accumulated other comprehensive income (loss) | <b>(199,881)</b>   | (29,742)    | (170,139) |
| Treasury stock, at cost                       | <b>(1,010,423)</b> | (1,010,410) | (13)      |
| <b>Total Canon Inc. shareholders' equity</b>  | <b>2,783,129</b>   | 2,966,415   | (183,286) |
| Noncontrolling interests                      | <b>211,493</b>     | 218,048     | (6,555)   |
| <b>Total equity</b>                           | <b>2,994,622</b>   | 3,184,463   | (189,841) |
| <b>Total liabilities and equity</b>           | <b>¥ 5,138,529</b> | ¥ 4,427,773 | ¥ 710,756 |

## Millions of yen

|   | <b>As of<br/>December 31,<br/>2016</b> | <b>As of<br/>December 31, 2015</b> |
|---|--|------------------------------------|
| Notes:  |  |                                    |
| 1. Allowance for doubtful receivables             | <b>¥ 11,075</b>                        | ¥ 12,077                           |
| 2. Accumulated depreciation                       | <b>2,578,342</b>                       | 2,570,806                          |
| 3. Accumulated other comprehensive income (loss): |  |                                    |
| Foreign currency translation adjustments          | <b>(13,960)</b>                        | 87,038                             |
| Net unrealized gains and losses on securities     | <b>15,251</b>                          | 14,055                             |
| Net gains and losses on derivative instruments    | <b>(2,742)</b>                         | 182                                |
| Pension liability adjustments                     | <b>(198,430)</b>                       | (131,017)                          |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

|   | Millions of yen                            |  |           |
|---|--|--|-----------|
|   | Three months<br>ended<br>December 31, 2016 | Three months<br>ended<br>December 31, 2015 | Change(%) |
| Net sales   | ¥ 965,173                                  | ¥ 1,042,638                                | - 7.4     |
| Cost of sales   | 505,066                                    | 519,830                                    |           |
| Gross profit  | 460,107                                    | 522,808                                    | - 12.0    |
| Operating expenses:                                       |  |  |           |
| Selling, general and administrative expenses              | 305,987                                    | 332,471                                    |           |
| Research and development expenses                         | 73,952                                     | 83,295                                     |           |
|   | 379,939                                    | 415,766                                    |           |
| Operating profit  | 80,168                                     | 107,042                                    | - 25.1    |
| Other income (deductions):                                |  |  |           |
| Interest and dividend income                              | 1,178                                      | 1,196                                      |           |
| Interest expense  | (219)                                      | (73)                                       |           |
| Other, net  | (8,492)                                    | 796  |           |
|   | (7,533)                                    | 1,919                                      |           |
| Income before income taxes                                | 72,635                                     | 108,961                                    | - 33.3    |
| Income taxes  | 22,751                                     | 35,660                                     |           |
| Consolidated net income                                   | 49,884                                     | 73,301                                     |           |
| Less: Net income attributable to noncontrolling interests | 5,054                                      | 4,397                                      |           |
| Net income attributable to Canon Inc.                     | ¥ 44,830                                   | ¥ 68,904                                   | - 34.9    |

**Results for the fiscal year**

|  | Millions of yen                    |                                 |           |
|--|------------------------------------|---------------------------------|-----------|
|  | Year ended<br>December<br>31, 2016 | Year ended<br>December 31, 2015 | Change(%) |

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|   |                    |   |           |   |      |
|---|--------------------|---|-----------|---|------|
| Net sales   | <b>¥ 3,401,487</b> | ¥ | 3,800,271 | - | 10.5 |
| Cost of sales   | <b>1,727,654</b>   |   | 1,865,887 |   |      |
| Gross profit  | <b>1,673,833</b>   |   | 1,934,384 | - | 13.5 |
| Operating expenses:                                       |                    |   |           |   |      |
| Selling, general and administrative expenses              | <b>1,142,591</b>   |   | 1,250,674 |   |      |
| Research and development expenses                         | <b>302,376</b>     |   | 328,500   |   |      |
|   | <b>1,444,967</b>   |   | 1,579,174 |   |      |
| Operating profit  | <b>228,866</b>     |   | 355,210   | - | 35.6 |
| Other income (deductions):                                |                    |   |           |   |      |
| Interest and dividend income                              | <b>4,762</b>       |   | 5,501     |   |      |
| Interest expense  | <b>(1,061)</b>     |   | (584)     |   |      |
| Other, net  | <b>12,084</b>      |   | (12,689)  |   |      |
|   | <b>15,785</b>      |   | (7,772)   |   |      |
| Income before income taxes                                | <b>244,651</b>     |   | 347,438   | - | 29.6 |
| Income taxes  | <b>82,681</b>      |   | 116,105   |   |      |
| Consolidated net income                                   | <b>161,970</b>     |   | 231,333   |   |      |
| Less: Net income attributable to noncontrolling interests | <b>11,320</b>      |   | 11,124    |   |      |
| Net income attributable to Canon Inc.                     | <b>¥ 150,650</b>   | ¥ | 220,209   | - | 31.6 |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## Consolidated statements of comprehensive income

**Results for the fourth quarter**

|   | Millions of yen                         |   | Change(%) |
|---|---|---|-----------|
|   | Three months ended<br>December 31, 2016 | Three months ended<br>December 31, 2015 |           |
| Consolidated net income   | ¥ 49,884                                | ¥ 73,301                                | - 31.9    |
| Other comprehensive income (loss), net of tax:                      |   |   |           |
| Foreign currency translation adjustments                            | 189,007                                 | (3,984)                                 |           |
| Net unrealized gains and losses on securities                       | 5,184                                   | 2,779                                   |           |
| Net gains and losses on derivative instruments                      | (4,514)                                 | (65)                                    |           |
| Pension liability adjustments                                       | (72,975)                                | (5,529)                                 |           |
|   | 116,702                                 | (6,799)                                 |           |
| Comprehensive income  | 166,586                                 | 66,502                                  | + 150.5   |
| Less: Comprehensive income attributable to noncontrolling interests | 5,584                                   | 3,420                                   |           |
| Comprehensive income attributable to Canon Inc.                     | ¥ 161,002                               | ¥ 63,082                                | + 155.2   |

**Results for the fiscal year**

|   | Millions of yen                 |                                 | Change(%) |
|---|---------------------------------|---------------------------------|-----------|
|   | Year ended<br>December 31, 2016 | Year ended<br>December 31, 2015 |           |
| Consolidated net income   | ¥ 161,970                       | ¥ 231,333                       | - 30.0    |
| Other comprehensive income (loss), net of tax:                      |                                 |                                 |           |
| Foreign currency translation adjustments                            | (107,666)                       | (55,504)                        |           |
| Net unrealized gains and losses on securities                       | 997                             | 2,010                           |           |
| Net gains and losses on derivative instruments                      | (2,948)                         | 2,785                           |           |
| Pension liability adjustments                                       | (70,355)                        | (6,543)                         |           |
|   | (179,972)                       | (57,252)                        |           |
| Comprehensive income (loss)   | (18,002)                        | 174,081                         | -         |
| Less: Comprehensive income attributable to noncontrolling interests | 1,745                           | 11,973                          |           |
| Comprehensive income (loss) attributable to Canon Inc.              | ¥ (19,747)                      | ¥ 162,108                       | -         |



## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| Sales by business unit | Millions of yen                            |  | Change(%) |
|------------------------|--|--|-----------|
|                        | Three months ended<br>December<br>31, 2016 | Three months ended<br>December 31,<br>2015 |           |
| Office                 | ¥ 485,850                                  | ¥ 534,007                                  | - 9.0     |
| Imaging System         | 324,742                                    | 366,183                                    | - 11.3    |
| Industry and Others    | 175,634                                    | 166,211                                    | + 5.7     |
| Eliminations           | (21,053)                                   | (23,763)                                   | -         |
| Total                  | ¥ 965,173                                  | ¥ 1,042,638                                | - 7.4     |

| Sales by region         | Millions of yen                                  |   | Change(%) |
|-------------------------|--|---|-----------|
|                         | Three<br>months<br>ended<br>December<br>31, 2016 | Three months<br>ended<br>December 31,<br>2015 |           |
| Japan                   | ¥ 205,096  | ¥ 203,737                                     | + 0.7     |
| Overseas:               |  |   |           |
| <i>Americas</i>         | 267,467  | 311,596                                       | - 14.2    |
| <i>Europe</i>           | 262,324  | 300,727                                       | - 12.8    |
| <i>Asia and Oceania</i> | 230,286  | 226,578                                       | + 1.6     |
|                         | 760,077  | 838,901                                       | - 9.4     |
| Total                   | ¥ 965,173  | ¥ 1,042,638                                   | - 7.4     |

**Results for the fiscal year**

| Sales by business unit | Millions of yen                    |                                    | Change(%) |
|------------------------|------------------------------------|------------------------------------|-----------|
|                        | Year ended<br>December 31,<br>2016 | Year ended<br>December 31,<br>2015 |           |
| Office                 | ¥ 1,807,819                        | ¥ 2,110,816                        | - 14.4    |
| Imaging System         | 1,095,289                          | 1,263,835                          | - 13.3    |
| Industry and Others    | 584,660                            | 524,651                            | + 11.4    |
| Eliminations           | (86,281)                           | (99,031)                           | -         |
| Total                  | ¥ 3,401,487                        | ¥ 3,800,271                        | - 10.5    |

Millions of yen

| <b>Sales by region</b> | <b>Year ended<br/>December 31,<br/>2016</b> | Year ended<br>December 31,<br>2015 | Change(%) |
|------------------------|---|------------------------------------|-----------|
| Japan                  | ¥ 706,979                                   | ¥ 714,280                          | - 1.0     |
| Overseas:              |   |                                    |           |
| Americas               | 963,544                                     | 1,144,422                          | - 15.8    |
| Europe                 | 913,523                                     | 1,074,366                          | - 15.0    |
| Asia and Oceania       | 817,441                                     | 867,203                            | - 5.7     |
|                        | <b>2,694,508</b>                            | 3,085,991                          | - 12.7    |
| Total                  | ¥3,401,487                                  | ¥ 3,800,271                        | - 10.5    |

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

Office Business Unit :

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

Imaging System Business Unit :

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

Industry and Others Business Unit :

Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment / Digital radiography systems / Diagnostic X-ray System / Computed Tomography / Magnetic Resonance Imaging / Diagnostic Ultrasound System / Clinical Chemistry Analyzer / Ophthalmic equipment / Vacuum thin-film deposition equipment / Organic LED (OLED) panel manufacturing equipment / Die bonders / Micromotors / Network cameras / Handy terminals / Document scanners

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

Americas: United States of America, Canada, Latin America

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

Asia and Oceania: China, Asian countries, Australia

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF EQUITY

Millions of yen

| Common<br>Stock | Additional<br>paid-in<br>capital | Legal<br>reserve | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Treasury<br>stock | Total Canon<br>Inc.<br>shareholders<br>equity | Noncontrolling<br>interests | Total       |
|-----------------|----------------------------------|------------------|----------------------|---|-------------------|---|-----------------------------|-------------|
| ¥ 174,762       | ¥ 401,563                        | ¥ 64,599         | ¥ 3,320,392          | ¥ 28,286  | ¥ (1,011,418)     | ¥ 2,978,184                                   | ¥ 162,574                   | ¥ 3,140,758 |
|                 | (29)                             |                  |                      | 73  |                   | 44  | (29,627)                    |             |
|                 |                                  |                  | (174,711)            |   |                   | (174,711)                                     |                             |             |
|                 |                                  |                  |                      |   |                   |   | (3,958)                     |             |
|                 |                                  |                  |                      |   |                   |   | 77,086                      |             |
|                 |                                  | 690              | (690)                |   |                   | -   |                             |             |
|                 |                                  |                  | 220,209              |   |                   | 220,209                                       | 11,124                      |             |
|                 |                                  |                  |                      | (57,592)  |                   | (57,592)                                      | 2,088                       |             |
|                 |                                  |                  |                      | 1,509   |                   | 1,509   | 501                         |             |



|                                      |           |           |          |             |            |               |             |           |         |
|--------------------------------------|-----------|-----------|----------|-------------|------------|---------------|-------------|-----------|---------|
| alized<br>losses<br>ies<br>and       |           |           |          |             |            |               |             |           |         |
| ts<br>liability<br>ts                |           |           |          |             | 2,785      |               | 2,785       |           | -       |
| ensive                               |           |           |          |             | (4,803)    |               | (4,803)     |           | (1,740) |
| ses<br>ance<br>y stock<br>t<br>r 31, | (176)     |           | (42)     |             |            | 1,008         | 790         |           |         |
|                                      | ¥ 174,762 | ¥ 401,358 | ¥ 65,289 | ¥ 3,365,158 | ¥ (29,742) | ¥ (1,010,410) | ¥ 2,966,415 | ¥ 218,048 | ¥ 3     |
| ons                                  |           |           |          |             |            |               |             |           |         |
| olling<br>and                        |           |           |          |             |            |               |             |           |         |
| s to<br>c.<br>ders<br>s to<br>olling | 27        |           |          |             | 258        |               | 285         |           | (5,270) |
| on of<br>ies<br>s to<br>erve         |           |           |          |             | (163,810)  |               | (163,810)   |           |         |
| ensive                               |           |           |          |             |            |               |             |           | (4,077) |
| ne                                   |           |           |          |             |            |               |             |           | 1,047   |
| ensive<br>(loss),<br>:               |           |           | 1,269    | (1,269)     |            |               | -           |           |         |
| on<br>nts<br>alized<br>l losses      |           |           |          |             |            |               |             |           |         |
|                                      |           |           |          |             | 150,650    |               | 150,650     |           | 11,320  |
|                                      |           |           |          |             | (101,257)  |               | (101,257)   |           | (6,409) |
|                                      |           |           |          |             | 1,196      |               | 1,196       |           | (199)   |

|                     |           |           |          |             |             |               |             |           |         |  |
|---------------------|-----------|-----------|----------|-------------|-------------|---------------|-------------|-----------|---------|--|
| ties<br>and         |           |           |          |             |             |               |             |           |         |  |
| e<br>nts            |           |           |          | (2,924)     |             |               | (2,924)     |           | (24)    |  |
| nts                 |           |           |          | (67,412)    |             |               | (67,412)    |           | (2,943) |  |
| ensive<br>oss)      |           |           |          |             |             |               | (19,747)    |           | 1,745   |  |
| ases<br>uance<br>ry |           |           |          | (1)         |             | (13)          |             | (14)      |         |  |
| at<br>r 31,         | ¥ 174,762 | ¥ 401,385 | ¥ 66,558 | ¥ 3,350,728 | ¥ (199,881) | ¥ (1,010,423) | ¥ 2,783,129 | ¥ 211,493 | ¥ 2     |  |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | Millions of yen                 |                                 |
|--|---------------------------------|---------------------------------|
|  | Year ended<br>December 31, 2016 | Year ended<br>December 31, 2015 |
| Cash flows from operating activities:  |                                 |                                 |
| Consolidated net income  | ¥ 161,970                       | ¥ 231,333                       |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                                 |                                 |
| Depreciation and amortization  | 250,096                         | 273,327                         |
| Loss on disposal of fixed assets   | 5,203                           | 7,975                           |
| Deferred income taxes  | 7,188                           | 4,672                           |
| (Increase) decrease in trade receivables   | (4,155)                         | 22,720                          |
| Decrease in inventories  | 6,156                           | 14,249                          |
| Increase (decrease) in trade payables  | 56,844                          | (17,288)                        |
| Decrease in accrued income taxes   | (16,456)                        | (8,731)                         |
| Decrease in accrued expenses   | (5,256)                         | (25,529)                        |
| Increase in accrued (prepaid) pension and severance cost                                       | 5,489                           | 4,622                           |
| Other, net   | 33,204                          | (32,626)                        |
| Net cash provided by operating activities  | 500,283                         | 474,724                         |
| Cash flows from investing activities:  |                                 |                                 |
| Purchases of fixed assets  | (206,971)                       | (252,948)                       |
| Proceeds from sale of fixed assets   | 6,177                           | 3,824                           |
| Purchases of available-for-sale securities   | (84)                            | (98)                            |
| Proceeds from sale and maturity of available-for-sale securities                               | 1,181                           | 804                             |
| Decrease in time deposits, net   | 15,414                          | 47,665                          |
| Acquisitions of businesses, net of cash acquired   | (649,570)                       | (251,534)                       |
| Purchases of other investments   | (4,460)                         | (1,220)                         |
| Other, net   | 1,188                           | (112)                           |
| Net cash used in investing activities  | (837,125)                       | (453,619)                       |
| Cash flows from financing activities:  |                                 |                                 |
| Proceeds from issuance of long-term debt   | 610,552                         | 717                             |
| Repayments of long-term debt   | (856)                           | (1,350)                         |
| Decrease in short-term loans, net  | (80,580)                        | -                               |
| Purchases of noncontrolling interests  | (4,993)                         | (29,570)                        |
| Dividends paid   | (163,810)                       | (174,711)                       |
| Repurchases and reissuance of treasury stock   | (14)                            | 790                             |
| Other, net   | (4,607)                         | (6,078)                         |
| Net cash provided by (used in) financing activities  | 355,692                         | (210,202)                       |
| Effect of exchange rate changes on cash and cash equivalents                                   | (22,270)                        | (21,870)                        |

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|  |                  |   |           |
|--|------------------|---|-----------|
| Net change in cash and cash equivalents        | <b>(3,420)</b>   |   | (210,967) |
| Cash and cash equivalents at beginning of year | <b>633,613</b>   |   | 844,580   |
| Cash and cash equivalents at end of year       | <b>¥ 630,193</b> | ¥ | 633,613   |

- 14 -

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION

## SEGMENT INFORMATION BY BUSINESS UNIT

**Results for the fourth quarter**

Millions of yen  
**Three months ended**      **Three months ended**  
**December 31, 2016**      **December 31, 2015**      **Change(%)**

**Office**

Net sales:

|                             |           |   |         |   |      |
|-----------------------------|-----------|---|---------|---|------|
| External customers          | ¥ 484,656 | ¥ | 533,366 | - | 9.1  |
| Intersegment                | 1,194     |   | 641     | + | 86.3 |
| Total                       | 485,850   |   | 534,007 | - | 9.0  |
| Operating cost and expenses | 437,225   |   | 461,764 | - | 5.3  |
| Operating profit            | ¥ 48,625  | ¥ | 72,243  | - | 32.7 |

**Imaging System**

Net sales:

|                             |           |   |         |   |      |
|-----------------------------|-----------|---|---------|---|------|
| External customers          | ¥ 324,455 | ¥ | 365,944 | - | 11.3 |
| Intersegment                | 287       |   | 239     | + | 20.1 |
| Total                       | 324,742   |   | 366,183 | - | 11.3 |
| Operating cost and expenses | 273,040   |   | 304,057 | - | 10.2 |
| Operating profit            | ¥ 51,702  | ¥ | 62,126  | - | 16.8 |

**Industry and Others**

Net sales:

|                             |           |   |         |   |      |
|-----------------------------|-----------|---|---------|---|------|
| External customers          | ¥ 156,062 | ¥ | 143,328 | + | 8.9  |
| Intersegment                | 19,572    |   | 22,883  | - | 14.5 |
| Total                       | 175,634   |   | 166,211 | + | 5.7  |
| Operating cost and expenses | 172,472   |   | 168,995 | + | 2.1  |

|                                   |            |   |           |        |
|-----------------------------------|------------|---|-----------|--------|
| Operating profit                  | ¥ 3,162    | ¥ | (2,784)   | -      |
| <b>Corporate and Eliminations</b> |            |   |           |        |
| Net sales:                        |            |   |           |        |
| External customers                | ¥ -        | ¥ | -         | -      |
| Intersegment                      | (21,053)   |   | (23,763)  | -      |
| Total                             | (21,053)   |   | (23,763)  | -      |
| Operating cost and expenses       | 2,268      |   | 780       | -      |
| Operating profit                  | ¥ (23,321) | ¥ | (24,543)  | -      |
| <b>Consolidated</b>               |            |   |           |        |
| Net sales:                        |            |   |           |        |
| External customers                | ¥ 965,173  | ¥ | 1,042,638 | - 7.4  |
| Intersegment                      | -          |   | -         | -      |
| Total                             | 965,173    |   | 1,042,638 | - 7.4  |
| Operating cost and expenses       | 885,005    |   | 935,596   | - 5.4  |
| Operating profit                  | ¥ 80,168   | ¥ | 107,042   | - 25.1 |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

**Results for the fiscal year**

|                               | Millions of yen   |                   |           |      |
|-------------------------------|-------------------|-------------------|-----------|------|
|                               | Year ended        | Year ended        | Change(%) |      |
|                               | December 31, 2016 | December 31, 2015 |           |      |
| <b>Office</b>                 |                   |                   |           |      |
| Net sales:                    |                   |                   |           |      |
| External customers            | ¥1,804,862        | ¥ 2,108,246       | -         | 14.4 |
| Intersegment                  | 2,957             | 2,570             | +         | 15.1 |
| Total                         | 1,807,819         | 2,110,816         | -         | 14.4 |
| Operating cost and expenses   | 1,638,333         | 1,820,230         | -         | 10.0 |
| Operating profit              | 169,486           | 290,586           | -         | 41.7 |
| Total assets                  | 961,749           | 1,020,758         | -         | 5.8  |
| Depreciation and amortization | 78,319            | 86,206            | -         | 9.1  |
| Capital expenditures          | ¥ 72,189          | ¥ 73,819          | -         | 2.2  |
| <b>Imaging System</b>         |                   |                   |           |      |
| Net sales:                    |                   |                   |           |      |
| External customers            | ¥1,094,291        | ¥ 1,262,667       | -         | 13.3 |
| Intersegment                  | 998               | 1,168             | -         | 14.6 |
| Total                         | 1,095,289         | 1,263,835         | -         | 13.3 |
| Operating cost and expenses   | 950,876           | 1,080,396         | -         | 12.0 |
| Operating profit              | 144,413           | 183,439           | -         | 21.3 |
| Total assets                  | 391,661           | 452,283           | -         | 13.4 |
| Depreciation and amortization | 47,386            | 52,070            | -         | 9.0  |
| Capital expenditures          | ¥ 25,564          | ¥ 38,337          | -         | 33.3 |
| <b>Industry and Others</b>    |                   |                   |           |      |
| Net sales:                    |                   |                   |           |      |
| External customers            | ¥ 502,334         | ¥ 429,358         | +         | 17.0 |
| Intersegment                  | 82,326            | 95,293            | -         | 13.6 |
| Total                         | 584,660           | 524,651           | +         | 11.4 |
| Operating cost and expenses   | 577,212           | 537,730           | +         | 7.3  |

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|                               |          |          |   |      |
|-------------------------------|----------|----------|---|------|
| Operating profit              | 7,448    | (13,079) |   | -    |
| Total assets                  | 545,210  | 332,252  | + | 64.1 |
| Depreciation and amortization | 41,053   | 45,064   | - | 8.9  |
| Capital expenditures          | ¥ 29,346 | ¥ 24,241 | + | 21.1 |

**Corporate and Eliminations**

Net sales:

|                               |           |           |   |      |
|-------------------------------|-----------|-----------|---|------|
| External customers            | ¥ -       | ¥ -       |   | -    |
| Intersegment                  | (86,281)  | (99,031)  |   | -    |
| Total                         | (86,281)  | (99,031)  |   | -    |
| Operating cost and expenses   | 6,200     | 6,705     |   | -    |
| Operating profit              | (92,481)  | (105,736) |   | -    |
| Total assets                  | 3,239,909 | 2,622,480 | + | 23.5 |
| Depreciation and amortization | 83,338    | 89,987    | - | 7.4  |
| Capital expenditures          | ¥ 81,280  | ¥ 106,733 | - | 23.8 |

**Consolidated**

Net sales:

|                               |             |             |   |      |
|-------------------------------|-------------|-------------|---|------|
| External customers            | ¥ 3,401,487 | ¥ 3,800,271 | - | 10.5 |
| Intersegment                  | -           | -           |   | -    |
| Total                         | 3,401,487   | 3,800,271   | - | 10.5 |
| Operating cost and expenses   | 3,172,621   | 3,445,061   | - | 7.9  |
| Operating profit              | 228,866     | 355,210     | - | 35.6 |
| Total assets                  | 5,138,529   | 4,427,773   | + | 16.1 |
| Depreciation and amortization | 250,096     | 273,327     | - | 8.5  |
| Capital expenditures          | ¥ 208,379   | ¥ 243,130   | - | 14.3 |



## CANON INC. AND SUBSIDIARIES

## CONSOLIDATED

In addition to the disclosure requirements under Topic 280, Canon has disclosed the segment information, **SEGMENT INFORMATION BY GEOGRAPHIC AREA**, which is based on the location of Canon Inc. and its subsidiaries. Results from a survey of a representative sample of financial statement users, however, indicated that they consider the latter to be less useful than sales information based on the location where the product is shipped to customers, which is disclosed separately. For this reason, Canon decided to discontinue the disclosure of geographical segment information based on the location of Canon Inc. and its subsidiaries from this year, in order to avoid the risk of confusing users due to disclosing two similar types of geographical information and make disclosure more concise and transparent. Sales information based on the location where the products is shipped to customers is available on page 12 **3. DETAILS OF SALES** in **V. Financial Statements**.

**8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES****(1) GROUP POSITION****1. Number of Group Companies**

|              | December 31, 2016 | December 31, 2015 | Change |
|--------------|-------------------|-------------------|--------|
| Subsidiaries | 367               | 317               | 50     |
| Affiliates   | 9                 | 5                 | 4      |
| Total        | 376               | 322               | 54     |

**2. Change in Group Entities**

|              |              |
|--------------|--------------|
| Subsidiaries |              |
| Addition:    | 61 companies |
| Removal:     | 11 companies |

|                                      |             |
|--------------------------------------|-------------|
| Affiliates (Carried at Equity Basis) |             |
| Addition:                            | 4 companies |

**3. Subsidiaries Listed on Domestic Stock Exchange**

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

**(2) SIGNIFICANT ACCOUNTING POLICIES**

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

**Recently Issued Accounting Guidance**

In November 2015, the Financial Accounting Standards Board issued an amendment which requires deferred tax assets and liabilities be classified as noncurrent in the consolidated balance sheets. Canon early adopted this amended guidance from the quarter beginning January 1, 2016, on a prospective basis, and prior periods were not retrospectively adjusted. Canon's current deferred tax assets were ¥55,108 million and current deferred tax liabilities were ¥2,682 million as of December 31, 2015.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| Results for the fiscal year                                      | Millions of yen                 |                                 |
|--|---------------------------------|---------------------------------|
|  | Year ended<br>December 31, 2016 | Year ended<br>December 31, 2015 |
| Net income attributable to Canon Inc.                            |                                 |                                 |
| -Basic   | ¥ 150,650                       | ¥ 220,209                       |
| -Diluted   | 150,650                         | 220,209                         |
|  | Number of shares                |                                 |
| Average common shares outstanding                                |                                 |                                 |
| -Basic   | 1,092,070,680                   | 1,092,017,955                   |
| -Diluted   | 1,092,070,680                   | 1,092,052,886                   |
|  | Yen                             |                                 |
| Net income attributable to<br>Canon Inc. shareholders per share: |                                 |                                 |
| -Basic   | ¥ 137.95                        | ¥ 201.65                        |
| -Diluted   | 137.95                          | 201.65                          |

## (2) ACQUISITIONS

As necessary clearance from competition regulatory authorities regarding the acquisition of Toshiba Medical Systems Corporation (TMSC) shares were obtained, Canon exercised the share options acquired for consideration of cash, through a Shares and Other Securities Transfer Agreement concluded with Toshiba Corporation dated March 17, 2016, and acquired all of the shares of TMSC. The acquisition date was December 19, 2016 and the purchase price was ¥665.5 billion.

Under Phase V of the Excellent Global Corporation Plan, a five-year initiative that Canon has been implementing since 2016, embracing the challenge of new growth through a grand strategic transformation has been set as a basic policy. With regard to strengthening and growing new businesses, and creating future businesses, a particularly important strategy, Canon intends to develop a health care business within the realm of safety and security, as a next-generation pillar of growth.

Since the acquisition date of TMSC was near the balance sheet date, the allocation of the purchase price to the assets acquired and liabilities assumed was incomplete and provisionally carried out as of December 31, 2016.

On January 23, 2017, regarding the borrowing that was provisionally raised in March 2016 for this acquisition, a contract was concluded to refinance with an unsecured loan with a repayment due in December 2021. The loan is ¥610 billion as of December 31, 2016, and is included in long-term debt in the consolidated balance sheet.

(3) FINANCE RECEIVABLES AND OPERATING LEASES, MARKETABLE SECURITIES, DEFERRED TAX ACCOUNTING, EMPLOYEE RETIREMENT AND SEVERANCE BENEFITS, STOCK OPTIONS, DERIVATIVE CONTRACTS AND OTHERS

The disclosure is omitted as it is not considered significant in this report.

(4) SUBSEQUENT EVENT

There is no significant subsequent event.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

10. NOTE FOR NON-GAAP FINANCIAL MEASURES

We have reported our financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In addition, we have discussed our results using Free cash flow which is non-GAAP measure.

We believe this measure is beneficial to an investor's understanding on Canon's current liquidity and the alternatives of use in financing activities because it takes into consideration its operating and investing activities.

A reconciliation of this non-GAAP financial measure and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following table.

|   | Billions of yen<br>Year ended<br>December 31, 2016 |
|---|--|
| Net cash provided by operating activities | 500.3  |
| Net cash used in investing activities     | (837.1)  |
| Free cash flow                            | (336.8)  |

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED BALANCE SHEETS

( Parent company only )

|   | Millions of yen            |                            |
|---|----------------------------|----------------------------|
|   | As of<br>December 31, 2016 | As of<br>December 31, 2015 |
| ASSETS  |                            |                            |
| Current assets:                               |                            |                            |
| Cash  | ¥ 85,748                   | ¥ 100,836                  |
| Trade receivables                             | 476,744                    | 450,449                    |
| Marketable securities                         | -                          | 18,070                     |
| Inventories                                   | 155,780                    | 148,485                    |
| Prepaid expenses and other current assets     | 231,636                    | 154,575                    |
| Allowance for doubtful receivables            | (1)                        | (1)                        |
| Total current assets                          | 949,907                    | 872,414                    |
| Fixed assets:                                 |                            |                            |
| Net property, plant and equipment             | 646,975                    | 659,258                    |
| Intangibles                                   | 25,264                     | 25,578                     |
| Investments and other fixed assets            | 1,554,652                  | 880,769                    |
| Allowance for doubtful receivables-noncurrent | (95)                       | (95)                       |
| Total fixed assets                            | 2,226,796                  | 1,565,510                  |
| Total assets                                  | 3,176,703                  | 2,437,924                  |
|   | ¥                          | ¥                          |
| LIABILITIES AND NET ASSETS                    |                            |                            |
| Current liabilities:                          |                            |                            |
| Trade payables                                | ¥ 314,921                  | ¥ 301,792                  |

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|  |                      |               |
|--|----------------------|---------------|
| Short-term loans                           | <b>602,326</b>       | 461,686       |
| Accrued income taxes                       | <b>8,868</b>         | 22,805        |
| Accrued warranty expenses                  | <b>2,376</b>         | 3,920         |
| Accrued bonuses for employees              | <b>4,397</b>         | 4,606         |
| Accrued bonuses for directors              | <b>60</b>            | 144           |
| Other current liabilities                  | <b>123,758</b>       | 108,269       |
| <br>Total current liabilities              | <br><b>1,056,706</b> | <br>903,222   |
| <br>Noncurrent liabilities:                |                      |               |
| Long-term loans                            | <b>610,000</b>       | -             |
| Accrued pension and severance cost         | <b>53,072</b>        | 45,985        |
| Reserve for environmental provision        | <b>1,389</b>         | 1,618         |
| Accrued long service rewards for employees | <b>1,602</b>         | 1,449         |
| Other noncurrent liabilities               | <b>1,288</b>         | 1,493         |
| <br>Total noncurrent liabilities           | <br><b>667,351</b>   | <br>50,545    |
| <br>Total liabilities                      | <br><b>1,724,057</b> | <br>953,767   |
| <br>Net assets:                            |                      |               |
| Shareholders' equity                       | <b>1,443,164</b>     | 1,473,935     |
| Valuation and translation adjustments      | <b>9,017</b>         | 9,091         |
| Subscription rights to shares              | <b>465</b>           | 1,131         |
| <br>Total net assets                       | <br><b>1,452,646</b> | <br>1,484,157 |
| <br>Total liabilities and net assets       | <br><b>3,176,703</b> | <br>2,437,924 |
|  | ¥                    | ¥             |





CANON INC.

NON-CONSOLIDATED

12. NON-CONSOLIDATED STATEMENTS OF INCOME

( Parent company only )

Millions of yen

|  | <b>Year ended<br/>December 31, 2016</b> | Year ended<br>December 31, 2015 |
|--|---|---------------------------------|
| Net sales                                    | <b>¥ 1,763,987</b>                      | ¥ 2,091,139                     |
| Cost of sales                                | <b>1,279,902</b>                        | 1,461,270                       |
| Gross profit                                 | <b>484,085</b>                          | 629,869                         |
| Selling, general and administrative expenses | <b>416,542</b>                          | 460,631                         |
| Operating profit                             | <b>67,543</b>                           | 169,238                         |
| Other income (deductions):                   |   |                                 |
| Interest and dividend income                 | <b>91,406</b>                           | 103,788                         |
| Interest expense                             | <b>(3,386)</b>                          | (2,124)                         |
| Other, net                                   | <b>2,796</b>                            | (1,084)                         |
|  | <b>90,816</b>                           | 100,580                         |
| Ordinary profit                              | <b>158,359</b>                          | 269,818                         |
| Non-ordinary gain (loss), net                | <b>(1,678)</b>                          | (2,447)                         |
| Income before income taxes                   | <b>156,681</b>                          | 267,371                         |
| Income taxes                                 | <b>23,626</b>                           | 55,408                          |
| Net income                                   | <b>¥ 133,055</b>                        | ¥ 211,963                       |

CANON INC.

NON-CONSOLIDATED

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

( Parent company only )

Year ended December 31, 2016

(Millions of yen)

| Shareholders' equity    |                                  |  |                  |                                   |               | Valuation and translation adjustments |                            |   |  |
|-------------------------|----------------------------------|--|------------------|-----------------------------------|---------------|---------------------------------------|----------------------------|---|--|
| Retained earnings       |                                  |  |                  |                                   |               |                                       |                            |   |  |
| Other retained earnings |                                  |  |                  |                                   |               | Treasury stock                        | Total shareholders' equity | Net unrealized gains (losses) on securities | Net deferred profits (losses) on hedging |
| Legal reserve           | Reserve for special depreciation | Reserve for deferral of capital gain on property | Special reserves | Retained earnings brought forward |               |                                       |                            |   |  |
| ¥ 22,114                | ¥ 167                            | ¥ 3,727  | ¥ 1,249,928      | ¥ 727,359                         | ¥ (1,010,410) | ¥ 1,473,935                           | ¥ 8,851                    | ¥ 2   |  |

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|   |   |      |       |           |          |           |       |      |
|---|---|------|-------|-----------|----------|-----------|-------|------|
|   |   | 17   |       | (17)      |          | -         |       |      |
|   |   | (46) |       | 46        |          | -         |       |      |
|   |   |      | 390   | (390)     |          | -         |       |      |
|   |   |      | (135) | 135       |          | -         |       |      |
|   |   |      |       | (163,810) |          | (163,810) |       |      |
|   |   |      |       | 133,055   |          | 133,055   |       |      |
|   |   |      |       |           | (18)     | (18)      |       |      |
|   |   |      |       | (3)       | 5        | 2         |       |      |
|   |   |      |       |           |          | -         | 1,088 | (1,1 |
| - | - | (29) | 255   | -         | (30,984) | (30,771)  | 1,088 | (1,1 |

,288 ¥ 22,114 ¥ 138 ¥ 3,982 ¥ 1,249,928 ¥ 696,375 ¥ (1,010,423) ¥ 1,443,164 ¥ 9,939 ¥ (9

CANON INC.

NON-CONSOLIDATED

Year ended December 31, 2015

(Millions of yen)

| Shareholders' equity    |                                  |  |                  |                                   |           | Valuation and translation adjustments |                            |   |  |
|-------------------------|----------------------------------|--|------------------|-----------------------------------|-----------|---------------------------------------|----------------------------|---|--|
| Retained earnings       |                                  |  |                  |                                   |           | Treasury stock                        | Total shareholders' equity | Net unrealized gains (losses) on securities | Net deferred profits (losses) on hedging |
| Other retained earnings |                                  |  |                  |                                   |           |                                       |                            |   |  |
| Legal reserve           | Reserve for special depreciation | Reserve for deferral of capital gain on property | Special reserves | Retained earnings brought forward |           |                                       |                            |   |  |
| 288                     | ¥ 22,114                         | ¥ 341  | ¥ 3,693          | ¥ 1,249,928                       | ¥ 692,960 | ¥ (1,011,418)                         | ¥ 1,438,668                | ¥ 7,780                                     | ¥ 0                                      |
|                         |                                  |  |                  | (2,951)                           |           |                                       | (2,951)                    |   |  |
| 288                     | ¥ 22,114                         | ¥ 341  | ¥ 3,693          | ¥ 1,249,928                       | ¥ 690,009 | ¥ (1,011,418)                         | ¥ 1,435,717                | ¥ 7,780                                     | ¥ 0                                      |

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

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

CANON INC.

NON-CONSOLIDATED

14. NOTE FOR GOING CONCERN ASSUMPTION

( Parent company only )

Not applicable.

- 24 -



(Current Titles are Shown in the Parentheses)

Effective Date: March 30, 2017

Directors

(1) Candidate for new Director to be appointed

|              |   |
|--------------|---|
| Toshio Homma | (Executive Vice President, Chief Executive of Office Imaging Products Operations) |
|--------------|---|

(2) Candidate for new Representative Director

|   |              |   |
|---|--------------|---|
| Representative Director<br>/ Executive Vice President | Toshio Homma | (Executive Vice President, Chief Executive of Office Imaging Products Operations) |
|---|--------------|---|

(3) Candidate for Director to be promoted

|                                |                     |   |
|--------------------------------|---------------------|---|
| Executive Vice President & CTO | Shigeyuki Matsumoto | (Senior Managing Director & CTO, Group Executive of R&D Headquarters) |
|--------------------------------|---------------------|---|

(Current Titles are Shown in the Parentheses)

Executive Officers (1/2)

(1) New Executive Officers to be appointed

Effective date: April 1, 2017

|                    |  |
|--------------------|--|
| Toshio Takiguchi   | (President of Toshiba Medical Systems Corporation)                                 |
| Hideki Sanatake    | (Deputy Group Executive of Corporate Intellectual Property and Legal Headquarters) |
| Tamaki Hashimoto   | (Group Executive of Consumer Inkjet Products Group)                                |
| Hideto Kohtani     | (Group Executive of Office Imaging Products Digital Solution Group)                |
| Minoru Asada       | (Senior General Manager of Group Management Center)                                |
| Kazuhiko Nagashima | (Senior General Manager of Finance Accounting Center)                              |
| Katsuhiko Shinjo   | (Deputy Group Executive of R&D Headquarters)                                       |

(2) Executive Officers to be retired

Effective date: March 30, 2017

|  |              |   |
|--|--------------|---|
| Representative Director / Executive Vice President to be appointed | Toshio Homma | (Executive Vice President, Chief Executive of Office Imaging Products Operations) |
|--|--------------|---|

Effective date: March 31, 2017

|   |                 |   |
|---|-----------------|---|
| President of Canon Tokki Corporation                        | Shigeyuki Uzawa | (Managing Executive Officer, President of Canon Tokki Corporation)                                      |
| Managing Director of Canon Electronics Inc. to be appointed | Akiyoshi Kimura | (Managing Executive Officer, Group Executive of Corporate Planning Development Headquarters)            |
| Adviser to be appointed                                     | Akio Noguchi    | (Managing Executive Officer, Group Executive of Mixed Reality Solution Business Promotion Headquarters) |

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Masato Okada (Executive Officer, Deputy Chief Executive of  
Image Communication Business Operations)

- 26 -

(Current Titles are Shown in the Parentheses)

Executive Officers (2/2)

(3) Candidate for Executive Officers to be promoted

Effective date: April 1, 2017

|                                   |                   |   |
|-----------------------------------|-------------------|---|
| Executive Vice President          | Hideki Ozawa      | (Senior Managing Executive Officer, President of Canon (CHINA) Co. Ltd)                             |
| Senior Managing Executive Officer | Yasuhiro Tani     | (Managing Executive Officer, Group Executive of Digital System Technology Development Headquarters) |
| Senior Managing Executive Officer | Naoji Otsuka      | (Managing Executive Officer, Chief Executive of Inkjet Products Operations)                         |
| Senior Managing Executive Officer | Toshio Takiguchi  | (New appointment, President of Toshiba Medical Systems Corporation)                                 |
| Managing Executive Officer        | Shunsuke Inoue    | (Executive Officer, Group Executive of Device Technology Development Headquarters)                  |
| Managing Executive Officer        | Takayuki Miyamoto | (Executive Officer, Chief Executive of Peripheral Products Operations)                              |
| Managing Executive Officer        | Katsumi Iijima    | (Executive Officer, Group Executive of Information & Communication Systems Headquarters)            |
| Managing Executive Officer        | Hiroyuki Takeishi | (Executive Officer, Chief Executive of Optical Products Operations)                                 |

January 31, 2017

## CONSOLIDATED RESULTS FOR THE FOURTH QUARTER

AND THE FISCAL YEAR ENDED DECEMBER 31, 2016

## SUPPLEMENTARY REPORT

## TABLE OF CONTENTS

|   | PAGE |
|---|------|
| 1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2016)            | S 1  |
| 2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2017/Projection) | S 2  |
| 3. SEGMENT INFORMATION BY BUSINESS UNIT (2016)                  | S 3  |
| 4. OTHER INCOME / DEDUCTIONS (2016)                             | S 3  |
| 5. SEGMENT INFORMATION BY BUSINESS UNIT (2017/Projection)       | S 4  |
| 6. OTHER INCOME / DEDUCTIONS (2017/Projection)                  | S 4  |
| 7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT              | S 5  |
| 8. SALES GROWTH IN LOCAL CURRENCY                               | S 5  |
| 9. PROFITABILITY  | S 6  |
| 10. IMPACT OF FOREIGN EXCHANGE RATES                            | S 6  |
| 11. STATEMENTS OF CASH FLOWS                                    | S 6  |
| 12. R&D EXPENDITURE   | S 7  |
| 13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION            | S 7  |
| 14. INVENTORIES   | S 7  |
| 15. DEBT RATIO  | S 7  |
| 16. OVERSEAS PRODUCTION RATIO                                   | S 7  |
| 17. NUMBER OF EMPLOYEES   | S 7  |

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these

and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

|                         | 1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2016) |           |             |           |                                      |        |
|-------------------------|--|-----------|-------------|-----------|--------------------------------------|--------|
|                         | 2016   |           | 2015        |           | (Millions of yen)                    |        |
|                         | 4th quarter  | Year      | 4th quarter | Year      | Change year over year<br>4th quarter | Year   |
| <b>Japan</b>            |  |           |             |           |                                      |        |
| Office                  | 99,303   | 378,834   | 98,804      | 379,277   | +0.5%                                | -0.1%  |
| Imaging System          | 63,174   | 179,304   | 66,958      | 198,739   | -5.7%                                | -9.8%  |
| Industry and Others     | 42,619   | 148,841   | 37,975      | 136,264   | +12.2%                               | +9.2%  |
| Total                   | 205,096  | 706,979   | 203,737     | 714,280   | +0.7%                                | -1.0%  |
| <b>Overseas</b>         |  |           |             |           |                                      |        |
| Office                  | 385,353  | 1,426,028 | 434,562     | 1,728,969 | -11.3%                               | -17.5% |
| Imaging System          | 261,281  | 914,987   | 298,986     | 1,063,928 | -12.6%                               | -14.0% |
| Industry and Others     | 113,443  | 353,493   | 105,353     | 293,094   | +7.7%                                | +20.6% |
| Total                   | 760,077  | 2,694,508 | 838,901     | 3,085,991 | -9.4%                                | -12.7% |
| <b>Americas</b>         |  |           |             |           |                                      |        |
| Office                  | 153,027  | 582,297   | 175,923     | 713,197   | -13.0%                               | -18.4% |
| Imaging System          | 91,064   | 297,403   | 110,869     | 352,946   | -17.9%                               | -15.7% |
| Industry and Others     | 23,376   | 83,844    | 24,804      | 78,279    | -5.8%                                | +7.1%  |
| Total                   | 267,467  | 963,544   | 311,596     | 1,144,422 | -14.2%                               | -15.8% |
| <b>Europe</b>           |  |           |             |           |                                      |        |
| Office                  | 158,562  | 556,353   | 185,623     | 680,619   | -14.6%                               | -18.3% |
| Imaging System          | 83,926   | 293,894   | 95,593      | 335,312   | -12.2%                               | -12.4% |
| Industry and Others     | 19,836   | 63,276    | 19,511      | 58,435    | +1.7%                                | +8.3%  |
| Total                   | 262,324  | 913,523   | 300,727     | 1,074,366 | -12.8%                               | -15.0% |
| <b>Asia and Oceania</b> |  |           |             |           |                                      |        |
| Office                  | 73,764   | 287,378   | 73,016      | 335,153   | +1.0%                                | -14.3% |
| Imaging System          | 86,291   | 323,690   | 92,524      | 375,670   | -6.7%                                | -13.8% |
| Industry and Others     | 70,231   | 206,373   | 61,038      | 156,380   | +15.1%                               | +32.0% |
| Total                   | 230,286  | 817,441   | 226,578     | 867,203   | +1.6%                                | -5.7%  |
| <b>Intersegment</b>     |  |           |             |           |                                      |        |
| Office                  | 1,194  | 2,957     | 641         | 2,570     | +86.3%                               | +15.1% |
| Imaging System          | 287  | 998       | 239         | 1,168     | +20.1%                               | -14.6% |
| Industry and Others     | 19,572   | 82,326    | 22,883      | 95,293    | -14.5%                               | -13.6% |
| Eliminations            | (21,053)   | (86,281)  | (23,763)    | (99,031)  | -                                    | -      |
| Total                   | 0  | 0         | 0           | 0         | -                                    | -      |
| <b>Total</b>            |  |           |             |           |                                      |        |
| Office                  | 485,850  | 1,807,819 | 534,007     | 2,110,816 | -9.0%                                | -14.4% |
| Imaging System          | 324,742  | 1,095,289 | 366,183     | 1,263,835 | -11.3%                               | -13.3% |
| Industry and Others     | 175,634  | 584,660   | 166,211     | 524,651   | +5.7%                                | +11.4% |
| Eliminations            | (21,053)   | (86,281)  | (23,763)    | (99,031)  | -                                    | -      |
| Total                   | 965,173  | 3,401,487 | 1,042,638   | 3,800,271 | -7.4%                                | -10.5% |

**2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2017/Projection)****(1) Sales by business unit**

|                     | 2017 (P)  | 2016      | (Millions of yen)<br>Change year over year |
|---------------------|-----------|-----------|--|
|                     | Year      | Year      | Year                                       |
| Office              | 1,828,900 | 1,807,819 | +1.2%                                      |
| Imaging System      | 1,092,000 | 1,095,289 | -0.3%                                      |
| Industry and Others | 1,158,000 | 584,660   | +98.1%                                     |
| Eliminations        | (78,900)  | (86,281)  | -  |
| Total               | 4,000,000 | 3,401,487 | +17.6%                                     |

(P)=Projection

**(2) Sales by region**

|                  | 2017 (P)  | 2016      | (Millions of yen)<br>Change year over year |
|------------------|-----------|-----------|--|
|                  | Year      | Year      | Year                                       |
| Japan            | 922,000   | 706,979   | +30.4%                                     |
| Overseas         | 3,078,000 | 2,694,508 | +14.2%                                     |
| Americas         | 1,067,800 | 963,544   | +10.8%                                     |
| Europe           | 985,600   | 913,523   | +7.9%                                      |
| Asia and Oceania | 1,024,600 | 817,441   | +25.3%                                     |
| Total            | 4,000,000 | 3,401,487 | +17.6%                                     |

(P)=Projection



**3. SEGMENT INFORMATION BY BUSINESS UNIT (2016)**

|                                   | 2016        |           | 2015        |           | (Millions of yen)     |        |
|-----------------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
|                                   | 4th quarter | Year      | 4th quarter | Year      | Change year over year |        |
|                                   |             |           |             |           | 4th quarter           | Year   |
| <b>Office</b>                     |             |           |             |           |                       |        |
| External customers                | 484,656     | 1,804,862 | 533,366     | 2,108,246 | -9.1%                 | -14.4% |
| Intersegment                      | 1,194       | 2,957     | 641         | 2,570     | +86.3%                | +15.1% |
| Total sales                       | 485,850     | 1,807,819 | 534,007     | 2,110,816 | -9.0%                 | -14.4% |
| Operating profit                  | 48,625      | 169,486   | 72,243      | 290,586   | -32.7%                | -41.7% |
| % of sales                        | 10.0%       | 9.4%      | 13.5%       | 13.8%     | -                     | -      |
| <b>Imaging System</b>             |             |           |             |           |                       |        |
| External customers                | 324,455     | 1,094,291 | 365,944     | 1,262,667 | -11.3%                | -13.3% |
| Intersegment                      | 287         | 998       | 239         | 1,168     | +20.1%                | -14.6% |
| Total sales                       | 324,742     | 1,095,289 | 366,183     | 1,263,835 | -11.3%                | -13.3% |
| Operating profit                  | 51,702      | 144,413   | 62,126      | 183,439   | -16.8%                | -21.3% |
| % of sales                        | 15.9%       | 13.2%     | 17.0%       | 14.5%     | -                     | -      |
| <b>Industry and Others</b>        |             |           |             |           |                       |        |
| External customers                | 156,062     | 502,334   | 143,328     | 429,358   | +8.9%                 | +17.0% |
| Intersegment                      | 19,572      | 82,326    | 22,883      | 95,293    | -14.5%                | -13.6% |
| Total sales                       | 175,634     | 584,660   | 166,211     | 524,651   | +5.7%                 | +11.4% |
| Operating profit                  | 3,162       | 7,448     | (2,784)     | (13,079)  | -                     | -      |
| % of sales                        | 1.8%        | 1.3%      | -1.7%       | -2.5%     | -                     | -      |
| <b>Corporate and Eliminations</b> |             |           |             |           |                       |        |
| External customers                | -           | -         | -           | -         | -                     | -      |
| Intersegment                      | (21,053)    | (86,281)  | (23,763)    | (99,031)  | -                     | -      |
| Total sales                       | (21,053)    | (86,281)  | (23,763)    | (99,031)  | -                     | -      |
| Operating profit                  | (23,321)    | (92,481)  | (24,543)    | (105,736) | -                     | -      |
| <b>Consolidated</b>               |             |           |             |           |                       |        |
| External customers                | 965,173     | 3,401,487 | 1,042,638   | 3,800,271 | -7.4%                 | -10.5% |
| Intersegment                      | -           | -         | -           | -         | -                     | -      |
| Total sales                       | 965,173     | 3,401,487 | 1,042,638   | 3,800,271 | -7.4%                 | -10.5% |
| Operating profit                  | 80,168      | 228,866   | 107,042     | 355,210   | -25.1%                | -35.6% |
| % of sales                        | 8.3%        | 6.7%      | 10.3%       | 9.3%      | -                     | -      |

**4. OTHER INCOME / DEDUCTIONS (2016)**

|   | 2016        |        | 2015        |          | (Millions of yen)     |         |
|---|-------------|--------|-------------|----------|-----------------------|---------|
|   | 4th quarter | Year   | 4th quarter | Year     | Change year over year |         |
|   |             |        |             |          | 4th quarter           | Year    |
| Interest and dividend, net              | 959         | 3,701  | 1,123       | 4,917    | (164)                 | (1,216) |
| Forex gain (loss)                       | (12,620)    | (2)    | (1,009)     | (22,149) | (11,611)              | +22,147 |
| Equity earnings of affiliated companies | 217         | 890    | 110         | 447      | +107                  | +443    |
| Other, net                              | 3,911       | 11,196 | 1,695       | 9,013    | +2,216                | +2,183  |
| Total                                   | (7,533)     | 15,785 | 1,919       | (7,772)  | (9,452)               | +23,557 |



| 5. SEGMENT INFORMATION BY BUSINESS UNIT (2017/Projection) | (Millions of yen) |              |                               |
|---|-------------------|--------------|-------------------------------|
|   | 2017 (P)<br>Year  | 2016<br>Year | Change year over year<br>Year |
| <b>Office</b>   |                   |              |                               |
| External customers  | 1,825,000         | 1,804,862    | +1.1%                         |
| Intersegment  | 3,900             | 2,957        | +31.9%                        |
| Total sales   | 1,828,900         | 1,807,819    | +1.2%                         |
| Operating profit  | 177,500           | 169,486      | +4.7%                         |
| % of sales  | 9.7%              | 9.4%         | -                             |
| <b>Imaging System</b>                                     |                   |              |                               |
| External customers  | 1,086,800         | 1,094,291    | -0.7%                         |
| Intersegment  | 5,200             | 998          | +421.0%                       |
| Total sales   | 1,092,000         | 1,095,289    | -0.3%                         |
| Operating profit  | 154,000           | 144,413      | +6.6%                         |
| % of sales  | 14.1%             | 13.2%        | -                             |
| <b>Industry and Others</b>                                |                   |              |                               |
| External customers  | 1,088,200         | 502,334      | +116.6%                       |
| Intersegment  | 69,800            | 82,326       | -15.2%                        |
| Total sales   | 1,158,000         | 584,660      | +98.1%                        |
| Operating profit  | 20,800            | 7,448        | +179.3%                       |
| % of sales  | 1.8%              | 1.3%         | -                             |
| <b>Corporate and Eliminations</b>                         |                   |              |                               |
| External customers  | -                 | -            | -                             |
| Intersegment  | (78,900)          | (86,281)     | -                             |
| Total sales   | (78,900)          | (86,281)     | -                             |
| Operating profit  | (97,300)          | (92,481)     | -                             |
| <b>Consolidated</b>                                       |                   |              |                               |
| External customers  | 4,000,000         | 3,401,487    | +17.6%                        |
| Intersegment  | -                 | -            | -                             |
| Total sales   | 4,000,000         | 3,401,487    | +17.6%                        |
| Operating profit  | 255,000           | 228,866      | +11.4%                        |
| % of sales  | 6.4%              | 6.7%         | -                             |

(P)=Projection

| 6. OTHER INCOME / DEDUCTIONS (2017/Projection) | (Millions of yen) |              |                               |
|--|-------------------|--------------|-------------------------------|
|  | 2017 (P)<br>Year  | 2016<br>Year | Change year over year<br>Year |
| Interest and dividend, net                     | (500)             | 3,701        | (4,201)                       |
| Forex gain (loss)                              | (10,200)          | (2)          | (10,198)                      |
| Equity earnings<br>of affiliated companies     | 1,300             | 890          | +410                          |
| Other, net                                     | 14,400            | 11,196       | +3,204                        |
| Total  | 5,000             | 15,785       | (10,785)                      |

(P)=Projection

**7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT**

|                            | 2017 (P) |             | 2016 |             | 2015 |
|----------------------------|----------|-------------|------|-------------|------|
|                            | Year     | 4th quarter | Year | 4th quarter | Year |
| <b>Office</b>              |          |             |      |             |      |
| Monochrome copiers         | 16%      | 15%         | 16%  | 16%         | 16%  |
| Color copiers              | 22%      | 22%         | 21%  | 21%         | 20%  |
| Printers                   | 36%      | 38%         | 37%  | 38%         | 41%  |
| Others                     | 26%      | 25%         | 26%  | 25%         | 23%  |
| <b>Imaging System</b>      |          |             |      |             |      |
| Cameras                    | 60%      | 61%         | 61%  | 60%         | 62%  |
| Inkjet printers            | 31%      | 31%         | 30%  | 31%         | 29%  |
| Others                     | 9%       | 8%          | 9%   | 9%          | 9%   |
| <b>Industry and Others</b> |          |             |      |             |      |
| Lithography equipment      | 16%      | 20%         | 21%  | 26%         | 24%  |
| Others                     | 84%      | 80%         | 79%  | 74%         | 76%  |

(P)=Projection

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

|                            | 2017 (P) |             | 2016   |
|----------------------------|----------|-------------|--------|
|                            | Year     | 4th quarter | Year   |
| <b>Office</b>              |          |             |        |
| Japan                      | -        | +0.5%       | -0.1%  |
| Overseas                   | -        | -4.2%       | -9.2%  |
| Total                      | +0.7%    | -3.2%       | -7.6%  |
| <b>Imaging System</b>      |          |             |        |
| Japan                      | -        | -5.7%       | -9.8%  |
| Overseas                   | -        | -1.5%       | -3.1%  |
| Total                      | -0.5%    | -2.2%       | -4.1%  |
| <b>Industry and Others</b> |          |             |        |
| Japan                      | -        | +12.2%      | +9.2%  |
| Overseas                   | -        | +12.9%      | +27.6% |
| Total                      | +97.2%   | +9.0%       | +15.4% |
| <b>Total</b>               |          |             |        |
| Japan                      | +30.4%   | +0.7%       | -1.0%  |
| Overseas                   | +13.6%   | -1.1%       | -3.6%  |
| Americas                   | +9.3%    | -4.6%       | -5.9%  |
| Europe                     | +8.0%    | -2.5%       | -5.5%  |
| Asia and Oceania           | +25.1%   | +11.2%      | +4.3%  |
| Total                      | +17.1%   | -0.7%       | -3.1%  |

(P)=Projection



**9. PROFITABILITY**

|        | 2017 (P) | 2016 | 2015 |
|--------|----------|------|------|
|        | Year     | Year | Year |
| ROE *1 | 6.1%     | 5.2% | 7.4% |
| ROA *2 | 3.3%     | 3.1% | 5.0% |

(P)=Projection

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

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

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

|          | 2017 (P) | 2016        | 2015   |             |        |
|----------|----------|-------------|--------|-------------|--------|
|          | Year     | 4th quarter | Year   | 4th quarter | Year   |
| Yen/US\$ | 110.00   | 109.48      | 108.58 | 121.60      | 121.13 |
| Yen/Euro | 120.00   | 118.10      | 120.25 | 132.81      | 134.20 |

(P)=Projection

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

|                  | 2017 (P) | 2016        |         |
|------------------|----------|-------------|---------|
|                  | Year     | 4th quarter | Year    |
| US\$             | +21.8    | (31.9)      | (144.2) |
| Euro             | (1.0)    | (27.1)      | (90.3)  |
| Other currencies | (4.5)    | (10.7)      | (45.9)  |
| Total            | +16.3    | (69.7)      | (280.4) |

(P)=Projection

**(3) Impact of foreign exchange rates per yen**

|                     | (Billions of yen) |
|---------------------|-------------------|
|                     | 2017 (P)          |
|                     | Year              |
| On sales            |                   |
| US\$                | 13.4              |
| Euro                | 6.6               |
| On operating profit |                   |
| US\$                | 4.9               |
| Euro                | 2.4               |

(P)=Projection

**11. STATEMENTS OF CASH FLOWS**

|   | 2017 (P)  | 2016        | 2015      |             |           |
|---|-----------|-------------|-----------|-------------|-----------|
|   | Year      | 4th quarter | Year      | 4th quarter | Year      |
| Net cash provided by operating activities | 500,000   | 156,920     | 500,283   | 143,892     | 474,724   |
| Net cash used in investing activities     | (250,000) | (12,216)    | (837,125) | (89,154)    | (453,619) |
| Free cash flow                            | 250,000   | 144,704     | (336,842) | 54,738      | 21,105    |

(Millions of yen)

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|  |           |          |          |         |                |
|--|-----------|----------|----------|---------|----------------|
| Net cash provided by (used in) financing activities          | (267,200) | (80,647) | 355,692  | (244)   | (210,202)      |
| Effect of exchange rate changes on cash and cash equivalents | (13,000)  | 31,656   | (22,270) | (2,128) | (21,870)       |
| Net change in cash and cash equivalents                      | (30,200)  | 95,713   | (3,420)  | 52,366  | (210,967)      |
| Cash and cash equivalents at end of period                   | 600,000   | 630,193  | 630,193  | 633,613 | 633,613        |
|  |           |          |          |         | (P)=Projection |

- S6 -

**12. R&D EXPENDITURE**

(Millions of yen)

|                            | 2017 (P)<br>Year | 2016<br>Year | 2015<br>Year |
|----------------------------|------------------|--------------|--------------|
| Office                     | -                | 94,440       | 105,298      |
| Imaging System             | -                | 91,752       | 90,236       |
| Industry and Others        | -                | 67,887       | 66,585       |
| Corporate and Eliminations | -                | 48,297       | 66,381       |
| Total                      | 345,000          | 302,376      | 328,500      |
| % of sales                 | 8.6%             | 8.9%         | 8.6%         |

(P)=Projection

**13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION**

(Millions of yen)

|                                      | 2017 (P)<br>Year | 2016<br>Year | 2015<br>Year |
|--------------------------------------|------------------|--------------|--------------|
| <b>Increase in PP&amp;E</b>          |                  |              |              |
| Office                               | -                | 67,675       | 70,887       |
| Imaging System                       | -                | 23,482       | 35,634       |
| Industry and Others                  | -                | 26,788       | 20,683       |
| Corporate and Eliminations           | -                | 53,652       | 67,916       |
| Total                                | 195,000          | 171,597      | 195,120      |
| <b>Depreciation and amortization</b> |                  |              |              |
| Office                               | -                | 78,319       | 86,206       |
| Imaging System                       | -                | 47,386       | 52,070       |
| Industry and Others                  | -                | 41,053       | 45,064       |
| Corporate and Eliminations           | -                | 83,338       | 89,987       |
| Total                                | 270,000          | 250,096      | 273,327      |

(P)=Projection

**14. INVENTORIES****(1) Inventories**

(Millions of yen)

|                     | 2016<br>Dec.31 | 2015<br>Dec.31 | Difference |
|---------------------|----------------|----------------|------------|
| Office              | 205,656        | 225,327        | (19,671)   |
| Imaging System      | 127,386        | 155,767        | (28,381)   |
| Industry and Others | 227,694        | 120,801        | +106,893   |
| Total               | 560,736        | 501,895        | +58,841    |

**(2) Inventories/Sales\***

(Days)

|                     | 2016<br>Dec.31 | 2015<br>Dec.31 | Difference |
|---------------------|----------------|----------------|------------|
| Office              | 42             | 39             | +3         |
| Imaging System      | 41             | 43             | (2)        |
| Industry and Others | 152            | 86             | +66        |
| Total               | 59             | 47             | +12        |



\*Index based on the previous six months sales.

**15. DEBT RATIO**

|                           | 2016<br>Dec.31 | 2015<br>Dec.31 | Difference |
|---------------------------|----------------|----------------|------------|
| Total debt / Total assets | 11.9%          | 0.0%           | +11.9%     |

**16. OVERSEAS PRODUCTION RATIO**

|                           | 2016<br>Year | 2015<br>Year |
|---------------------------|--------------|--------------|
| Overseas production ratio | 44%          | 48%          |

**17. NUMBER OF EMPLOYEES**

|          | 2016<br>Dec.31 | 2015<br>Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan    | 72,913         | 68,325         | +4,588     |
| Overseas | 124,760        | 121,246        | +3,514     |
| Total    | 197,673        | 189,571        | +8,102     |

\* The effect of newly consolidated TMSC is included in Industry and Others, and appears in both fiscal 2016 results and fiscal 2017 projections.