

CANON INC
Form 6-K
January 31, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of **January**

2013

CANON INC.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

SIGNATURES

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

CANON INC.
(Registrant)

Date . **January 30, 2013**

By /s/ Toshihide Aoki
(Signature)*

Toshihide Aoki
General Manager
Consolidated Accounting Div.
Canon Inc.

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

The following materials are included.

1. RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2012

RESULTS FOR THE FOURTH QUARTER

AND THE FISCAL YEAR ENDED DECEMBER 31, 2012

January 30, 2013

CONSOLIDATED RESULTS

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

| | Actual | | Change(%) | Projected | | Change(%) |
|--|---------------------------------|---------------------------------|-----------|---------------------------------|----------------------------------|-----------|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | | Year ended December 31, 2012 | Year ending December 31, 2013 | |
| Net sales | ¥ 3,479,788 | ¥ 3,557,433 | - 2.2 | \$ 39,997,563 | ¥ 3,810,000 | + 9.5 |
| Operating profit | 323,856 | 378,071 | - 14.3 | 3,722,483 | 410,000 | + 26.6 |
| Income before income taxes | 342,557 | 374,524 | - 8.5 | 3,937,437 | 400,000 | + 16.8 |
| Net income attributable to Canon Inc. | ¥ 224,564 | ¥ 248,630 | - 9.7 | \$ 2,581,195 | ¥ 255,000 | + 13.6 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | | |
| - Basic | ¥ 191.34 | ¥ 204.49 | - 6.4 | \$ 2.20 | ¥ 221.20 | + 15.6 |
| - Diluted | 191.34 | 204.48 | - 6.4 | 2.20 | - | - |

| | Actual | | Change(%) |
|---------------------------------|----------------------------|----------------------------|-----------|
| | As of December 31, 2012 | As of December 31, 2011 | |
| Total assets | ¥ 3,955,503 | ¥ 3,930,727 | + 0.6 |
| Canon Inc. stockholders' equity | ¥ 2,598,026 | ¥ 2,551,132 | + 1.8 |

- 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 87= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28, 2012, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

| | Actual | | Change(%) |
|-----------|------------------------------------|------------------------------------|-----------|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | |
| Net sales | ¥ 2,113,420 | ¥ 2,160,732 | - 2.2 |

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| | | | | | | |
|-------------------------|------------------|----------|---------|---|------|---------------------|
| Operating profit | 198,695 | | 246,914 | - | 19.5 | 2,283,851 |
| Ordinary profit | 235,728 | | 282,052 | - | 16.4 | 2,709,517 |
| Net income | ¥ 157,647 | ¥ | 173,201 | - | 9.0 | \$ 1,812,034 |

Net income per share:

| | | | | | | |
|---------------------------|-----------------|----------|--------|---|-----|----------------|
| - Basic | ¥ 134.32 | ¥ | 142.45 | - | 5.7 | \$ 1.54 |
| - Diluted | 134.32 | | 142.45 | - | 5.7 | 1.54 |
| Dividend per share | 130.00 | | 120.00 | + | 8.3 | 1.49 |

| | As of | | As of | Actual | | As of |
|---------------------|---------------------|----------|---------------------|------------------|-----|----------------------|
| | December 31, | | December 31, | Change(%) | | December 31, |
| | 2012 | | 2011 | | | 2012 |
| Total assets | ¥ 2,337,002 | ¥ | 2,511,608 | - | 7.0 | \$ 26,862,092 |
| Net assets | ¥ 1,594,688 | ¥ | 1,729,096 | - | 7.8 | \$ 18,329,747 |

Note: U.S. dollar amounts are translated from yen at the rate of JPY 87= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28, 2012, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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Phone: +81-3-3758-2111

I. Operating Results and Financial Conditions

2012 in Review

Looking back at the global economy in 2012, in the United States there were signs of improvement in employment conditions and housing issues as the economy continued to grow moderately. In Europe, the economic downturn in Southern European countries spread to Germany and other major countries, having a serious impact on the overall European economy. Economic growth in emerging markets such as China and India slowed down somewhat due to lagging exports and the effects of tight monetary policies. In Japan, despite the reconstruction demand seen at the beginning of the year from the previous year's earthquake in Japan and flooding in Thailand, the economy entered a phase of recession during the latter half of the year due to the slowdown in the global economy and reduced domestic demand. As for the global economy overall, the effects of the European financial crisis were felt worldwide, leading to a widespread slowdown.

As for the markets in which Canon operates amid these conditions, while demand for office color multifunction devices (MFDs) showed growth in Japan and other regions, demand for laser printers remained sluggish mainly in European markets. Demand for interchangeable-lens digital cameras continued to display strong growth across global markets while demand for compact digital cameras shrunk not only in developed countries, but also in China and some emerging nations. Overall demand for inkjet printers also waned due to the weak economy. In the industry and others segment, demand for semiconductor lithography equipment remained restrained due to weak capital investment for memory devices while lithography equipment used in the production of flat panel display (FPDs) encountered sluggish demand for large-size FPD panels despite the healthy market for mid- and small-size FPD panels used mainly in smartphones and tablet PCs.

The average value of the yen during the year was ¥79.96 against the U.S. dollar, a slight depreciation compared with the previous year, and ¥102.80 against the euro, a year-on-year appreciation of approximately ¥8.

Owing to the economic slowdown mainly in Europe and the high valuation of the yen against the euro, combined with the cooling off of demand in China during the latter half of the year, the Canon Group faced increasingly challenging conditions across all of its businesses. Amid this harsh environment, although Canon continued Group-wide efforts to expand sales, mainly for competitively priced products such as interchangeable-lens digital cameras and office equipment, net sales for the year declined 2.2% to ¥3,479.8 billion (U.S.\$39,998 million). The gross profit ratio declined by 1.4 points year on year to 47.4% due to the significant impact of the strong yen and product mix. Thanks to Group-wide efforts to thoroughly reduce spending, operating expenses decreased by 2.4% to ¥1,326.1 billion (U.S.\$15,243 million). Other income (deductions) achieved a turnaround of ¥22.2 billion (U.S.\$256 million) owing to an improvement in foreign currency exchange gain, resulting in income before income taxes of ¥342.6 billion (U.S.\$3,937 million), a decrease of 8.5% year on year. Net income attributable to Canon Inc. decreased by 9.7% to ¥224.6 billion (U.S.\$2,581 million) from the previous year.

Basic net income attributable to Canon Inc. stockholders per share for the year was ¥191.34 (U.S.\$ 2.20), a year-on-year decrease of ¥13.15 (U.S.\$ 0.15).

Results by Segment

Looking at Canon's full-year performance by business sector, within the Office Business Unit, amid the continued hearty demand for color MFDs, such as imageRUNNER ADVANCE C5000/C2000-series models, sales volumes of both monochrome and color MFDs increased from the year-ago period. In addition, sales of imagePRESS C7010VPS-series color MFDs for production printing, machines that were jointly developed by Canon and Océ, contributed to sales growth. As for laser printers, sales volumes declined mainly in Europe due to deterioration in business sentiment. Consequently, sales for the segment totaled ¥1,757.6 billion (U.S.\$20,202 million), a decline of 8.4% year on year, while operating profit decreased by 21.5% to ¥203.6 billion (U.S.\$2,340 million) for the year.

Within the Imaging System Business Unit, unit sales of interchangeable-lens digital cameras increased thanks to the competitively priced EOS Rebel series along with the EOS 5D Mark III and EOS 60D advanced-amateur models. As for compact digital cameras, despite the significant deterioration of market conditions, sales volume remained at the same level as the previous year thanks to robust sales of the PowerShot ELPH 110 HS and PowerShot A2300. With respect to inkjet printers, sales volume surpassed that for the year-ago period owing to the early restoration of production following the flooding in Thailand. Furthermore, the company successfully entered new markets with the launch of its CINEMA EOS SYSTEM lineup of professional cinematography products, targeting Hollywood and the broader motion picture and television production market, along with the new DreamLabo 5000, targeting the commercial photo printing market. As a result, sales for the segment increased by 7.2% year on year to ¥1,406.0 billion (U.S.\$16,161 million) while operating profit decreased by 0.5% to ¥210.3 billion (U.S.\$2,417 million).

As for the Industry and Others Business Unit, among semiconductor lithography equipment, while sales of i-line steppers remained at the same level as the previous year owing to demand for image sensors and LED elements, sales volume overall decreased due to restrained capital expenditure for memory devices. As for flat-panel-display lithography equipment, unit sales dropped substantially in the face of shrinking demand for equipment used in the production of large-size panels, an area in which Canon is particularly strong. Consequently, sales for the segment totaled ¥407.8 billion (U.S.\$4,688 million), a decrease of 3.1% year on year, and operating profit totaled ¥5.9 billion (U.S.\$68 million), a decrease of 75.7%.

Cash Flow

During 2012, cash flow from operating activities totaled ¥384.1 billion (U.S.\$4,415 million), a decrease of ¥85.5 billion (U.S.\$983 million) from the previous year as a result of efforts to optimize inventory levels in order to avoid losing potential sales opportunities while increasing flexibility in responding to emergency situations, along with the recovery of production following the previous year's flooding in Thailand. Cash flow from investing activities totaled ¥212.7 billion (U.S.\$2,445 million), a decrease of ¥43.8 billion (U.S.\$503 million) year on year, due to the net effect of increased capital investment focused on boosting production and reducing the amounts of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥171.4 billion (U.S.\$1,970 million), a decrease of ¥41.7 billion (U.S.\$479 million) from the previous year.

Cash flow from financing activities recorded an outlay of ¥319.7 billion (U.S.\$3,675 million), mainly arising from the dividend payout and the repurchasing of treasury stock. Consequently, cash and cash equivalents decreased by ¥106.5 billion (U.S.\$1,225 million) to ¥666.7 billion (U.S.\$7,663 million) from the end of the previous year, including positive foreign currency translation adjustments.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,113.4 billion (U.S.\$24,292 million), a year-on-year decrease of 2.2%, ordinary profit declined by 16.4% to ¥235.7 billion (U.S.\$2,710 million), and net income decreased by 9.0% to ¥157.6 billion (U.S.\$1,812 million).

Outlook

As for the outlook in 2013, while the challenging conditions from the previous year will continue, the global economy is expected to realize a moderate recovery in the latter half of the year. The U.S. economy is expected to achieve moderate growth thanks to improved unemployment conditions and housing issues. In Europe, since a significant amount of time will likely be needed to realize a recovery, the region's economy will likely remain sluggish throughout the year. Emerging economies such as China and India are expected to recover from the previous year's temporary slowdown to achieve high rates of growth. Japan, buoyed by aggressive economic policies and the recovery of the global economy, is expected to emerge from recession in the latter half of the year.

In the businesses in which Canon is involved, demand for such products as MFDs is projected to grow steadily while the laser printer market is expected to follow a path of recovery. Demand for interchangeable-lens digital cameras is expected to continue increasing across all regions. While the compact digital camera market is projected to shrink due to economic conditions and the spread of smartphones, the impact on advanced-functionality, high-value-added products will likely be relatively small. As for inkjet printers, demand overall is expected to remain around the same level as that for the year just ended. In the industry and others segment, while demand is expected to remain sluggish for i-line steppers due to restrained capital investment, demand for lithography equipment used to produce large-size flat-panel displays will likely pick up in line with the recovery in demand for large-size panels.

With regard to currency exchange rates for the year, on which Canon's performance outlook is based, despite the uncertainty over such factors as the euro debt crisis and economic conditions in other major countries, Canon anticipates exchange rates of ¥85 to the U.S. dollar and ¥115 to the euro, representing depreciations of approximately ¥5 against the U.S. dollar, and approximately ¥12 against the euro compared with the previous year. Upon taking into consideration these foreign exchange rate assumptions and current economic forecasts, Canon projects full-year consolidated net sales in 2013 of ¥3,810.0 billion (U.S.\$43,793 million), a year-on-year increase of 9.5%; operating profit of ¥410.0 billion (U.S.\$4,713 million), a year-on-year increase of 26.6%; income before income taxes of ¥400.0 billion (U.S.\$4,598 million), a year-on-year increase of 16.8%; and net income attributable to Canon Inc. of ¥255.0 billion (U.S.\$2,931 million), a year-on-year increase of 13.6%.

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

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

In 2012, despite the challenging business environment characterized by the European recession, Canon was able to generate adequate cash on hand thanks to comprehensive cash flow management and subsequent improvements in management efficiency. In light of this situation, Canon plans to distribute a full-year dividend totaling ¥130 (U.S.\$1.49) per share (interim dividend of ¥60 [U.S.\$0.69] per share [already distributed], and year-end dividend of ¥70 [U.S.\$0.80] per share), a regular dividend of ¥120 (U.S.\$1.38) and a commemorative dividend of ¥10 (U.S.\$0.11) to mark the 75th anniversary of the company's establishment.

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

II. Management Policy

(1) Basic Policy

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

(2) Management Goals

Based on this basic management policy, Canon launched the Excellent Global Corporation Plan in 1996. Through Phases I, II and III, Canon worked to build a solid management base.

From 2011, Canon embarked on a new five-year plan, Phase IV (2011–2015), under the slogan "Aiming for the Summit – Speed & Sound Growth".

The global economy's engine of growth is undergoing a large shift from developed countries to emerging countries, a shift that is expected to lead to volatility in the business environment. Canon will take advantage of this dramatic change and will again tackle the challenge of achieving sound growth through timely transformation tailored to the changing times.

In particular, Canon is focusing on the following six important management objectives.

- 1) Achieving the overwhelming No. 1 position in all core businesses and expanding related and peripheral businesses
- 2) Developing new business through globalized diversification and establishing the Three Regional Headquarters management system
- 3) Establishing a world-leading globally optimized production system
- 4) Comprehensively reinforcing global sales capabilities
- 5) Building the foundations of an environmentally advanced corporation

(6) Imparting a corporate culture and cultivating human resources befitting a truly excellent global company

Canon began 2012 with the aim of returning to a path of growth, overcoming such trials as the earthquake that struck Japan the previous year. But due to such factors as the prolonged European debt crisis and the yen's appreciation, the business environment that the Canon Group faced continued to prove exceptionally challenging. Going forward, although prospects for economic recovery in the United States and Europe and growth in emerging markets remain unclear and uncertain, the Canon Group aims to work together, overcoming challenges to firmly achieve sales and profit growth.

(3) Business Challenges and Countermeasures

2013 represents the third year of Phase IV (2011–2015) of the Excellent Global Corporation Plan, a year in which Canon will implement various measures in line with the basic policy Canon has established for the year of decisively implementing reforms and achieving sound business growth in the face of the current turbulent business environment.

In order to achieve its targets, Canon has set and will actively pursue the following five priority goals.

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1. Reinforcing Business by Creating Outstanding Hit Products

Canon aims to develop next-generation products and creates business models that take into account the dramatic changes taking place in the market. It will further reinforce business profitability, launching in a timely manner new products that are of sound quality and are screened through a process of selection and concentration.

2. Securely Launching New Businesses and Achieving Sound Expansion

Canon will work to fundamentally strengthen its business targeting the rapidly growing market for network camera systems. Canon will also work to bolster its CINEMA EOS SYSTEM and its MR System (MREAL). Additionally, Canon will take full advantage of M&A opportunities to further broaden the range of its business.

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3. Thoroughly Strengthening Sales in Accordance with Respective Market Characteristics

In the office products domain, Canon will leverage its integration with Océ to accelerate the securing of large client accounts, while in the consumer products domain, Canon will strengthen its sales network of mass distributors. In emerging markets such as China, Canon will build infrastructure to expand sales in accordance with the unique characteristics in each country.

4. Relentlessly Pursuing Cost Reductions and Accelerating Optimization of Global Production

Canon will accelerate the application of automated and robot-based production. Canon will also expand its application of in-house production, which has focused mainly on key components, to include general parts and molds. Additionally, Canon will review production allocation in order to promote a globally optimized production structure.

5. Concentrating on Cultivation of Technological Themes that Lead the Way to the Future

Canon will accelerate innovation by further filtering down key themes and concentrating resources.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-------------------------------|-------------------------------|-------------|-------------------------------|
| | As of December 31, 2012 | As of December 31, 2011 | Change | As of December 31, 2012 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 666,678 | ¥ 773,227 | ¥ (106,549) | \$ 7,662,966 |
| Short-term investments | 28,322 | 125,517 | (97,195) | 325,540 |
| Trade receivables, net | 573,375 | 533,208 | 40,167 | 6,590,517 |
| Inventories | 551,623 | 476,704 | 74,919 | 6,340,494 |
| Prepaid expenses and other current assets | 262,258 | 244,649 | 17,609 | 3,014,460 |
| Total current assets | 2,082,256 | 2,153,305 | (71,049) | 23,933,977 |
| Noncurrent receivables | 19,702 | 16,772 | 2,930 | 226,460 |
| Investments | 56,617 | 51,790 | 4,827 | 650,770 |
| Property, plant and equipment, net | 1,260,364 | 1,190,836 | 69,528 | 14,486,943 |
| Intangible assets, net | 135,736 | 138,030 | (2,294) | 1,560,184 |
| Other assets | 400,828 | 379,994 | 20,834 | 4,607,218 |
| Total assets | ¥ 3,955,503 | ¥ 3,930,727 | ¥ 24,776 | \$ 45,465,552 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 1,866 | ¥ 8,343 | ¥ (6,477) | \$ 21,448 |
| Trade payables | 325,235 | 380,532 | (55,297) | 3,738,333 |
| Accrued income taxes | 60,057 | 45,900 | 14,157 | 690,310 |
| Accrued expenses | 291,348 | 299,422 | (8,074) | 3,348,828 |
| Other current liabilities | 165,929 | 159,651 | 6,278 | 1,907,230 |
| Total current liabilities | 844,435 | 893,848 | (49,413) | 9,706,149 |
| Long-term debt, excluding current installments | 2,117 | 3,368 | (1,251) | 24,333 |
| Accrued pension and severance cost | 272,131 | 249,604 | 22,527 | 3,127,943 |
| Other noncurrent liabilities | 82,518 | 70,240 | 12,278 | 948,483 |
| Total liabilities | 1,201,201 | 1,217,060 | (15,859) | 13,806,908 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 2,008,759 |
| Additional paid-in capital | 401,547 | 401,572 | (25) | 4,615,483 |
| Legal reserve | 61,663 | 59,004 | 2,659 | 708,770 |
| Retained earnings | 3,138,976 | 3,059,298 | 79,678 | 36,080,184 |
| Accumulated other comprehensive income (loss) | (367,249) | (481,773) | 114,524 | (4,221,253) |
| Treasury stock, at cost | (811,673) | (661,731) | (149,942) | (9,329,575) |

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| | | | | |
|---------------------------------------|--------------------|-------------|----------|----------------------|
| Total Canon Inc. stockholders' equity | 2,598,026 | 2,551,132 | 46,894 | 29,862,368 |
| Noncontrolling interests | 156,276 | 162,535 | (6,259) | 1,796,276 |
| Total equity | 2,754,302 | 2,713,667 | 40,635 | 31,658,644 |
| Total liabilities and equity | ¥ 3,955,503 | ¥ 3,930,727 | ¥ 24,776 | \$ 45,465,552 |

Millions of yen

| | As of December 31, 2012 | As of December 31, 2011 | Thousands of U.S. dollars As of December 31, 2012 |
|---|--|-------------------------------|--|
| Notes: | | | |
| 1. Allowance for doubtful receivables | ¥ 12,970 | ¥ 11,563 | \$ 149,080 |
| 2. Accumulated depreciation | 2,159,453 | 2,038,682 | 24,821,299 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (247,734) | (378,863) | (2,847,517) |
| Net unrealized gains and losses on securities | 4,146 | 1,003 | 47,655 |
| Net gains and losses on derivative instruments | (4,462) | 455 | (51,287) |
| Pension liability adjustments | (119,199) | (104,368) | (1,370,104) |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| Results for the fourth quarter | Millions of yen | | | | Thousands of U.S. dollars |
|---|--|--|-----------|------|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2011 | Change(%) | | Three months ended December 31, 2012 |
| Net sales | ¥ 951,394 | ¥ 964,757 | - | 1.4 | \$ 10,935,563 |
| Cost of sales | 519,002 | 505,236 | | | 5,965,540 |
| Gross profit | 432,392 | 459,521 | - | 5.9 | 4,970,023 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 280,052 | 281,269 | | | 3,218,989 |
| Research and development expenses | 74,636 | 83,642 | | | 857,885 |
| | 354,688 | 364,911 | | | 4,076,874 |
| Operating profit | 77,704 | 94,610 | - | 17.9 | 893,149 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 1,703 | 2,616 | | | 19,575 |
| Interest expense | (509) | (161) | | | (5,851) |
| Other, net | 10,210 | (4,465) | | | 117,357 |
| | 11,404 | (2,010) | | | 131,081 |
| Income before income taxes | 89,108 | 92,600 | - | 3.8 | 1,024,230 |
| Income taxes | 24,588 | 28,423 | | | 282,621 |
| Consolidated net income | 64,520 | 64,177 | | | 741,609 |
| Less: Net income attributable to noncontrolling interests | 3,347 | 2,734 | | | 38,471 |
| Net income attributable to Canon Inc. | ¥ 61,173 | ¥ 61,443 | - | 0.4 | \$ 703,138 |

| Results for the fiscal year | Millions of yen | | | | Thousands of U.S. dollars |
|--|---------------------------------|---------------------------------|-----------|-----|---------------------------------|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | Change(%) | | Year ended December 31, 2012 |
| Net sales | ¥ 3,479,788 | ¥ 3,557,433 | - | 2.2 | \$ 39,997,563 |
| Cost of sales | 1,829,822 | 1,820,670 | | | 21,032,437 |
| Gross profit | 1,649,966 | 1,736,763 | - | 5.0 | 18,965,126 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 1,029,646 | 1,050,892 | | | 11,835,011 |
| Research and development expenses | 296,464 | 307,800 | | | 3,407,632 |
| | 1,326,110 | 1,358,692 | | | 15,242,643 |

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| | | | | | |
|---|------------------|-----------|---|------|---------------------|
| Operating profit | 323,856 | 378,071 | - | 14.3 | 3,722,483 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 6,792 | 8,432 | | | 78,069 |
| Interest expense | (1,022) | (988) | | | (11,747) |
| Other, net | 12,931 | (10,991) | | | 148,632 |
| | 18,701 | (3,547) | | | 214,954 |
| Income before income taxes | 342,557 | 374,524 | - | 8.5 | 3,937,437 |
| Income taxes | 110,112 | 120,415 | | | 1,265,655 |
| Consolidated net income | 232,445 | 254,109 | | | 2,671,782 |
| Less: Net income attributable to noncontrolling interests | 7,881 | 5,479 | | | 90,587 |
| Net income attributable to Canon Inc. | ¥ 224,564 | ¥ 248,630 | - | 9.7 | \$ 2,581,195 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

| | Millions of yen | | Change(%) | Thousands of |
|--|---|---|-----------|---|
| | Three months ended December 31, 2012 | Three months ended December 31, 2011 | | U.S. dollars |
| Results for the fourth quarter | | | | Three months ended December 31, 2012 |
| Consolidated net income | ¥ 64,520 | ¥ 64,177 | + 0.5 | \$ 741,609 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | 127,103 | 4,244 | | 1,460,954 |
| Net unrealized gains and losses on securities | 2,337 | 1,996 | | 26,862 |
| Net gains and losses on derivative instruments | (5,123) | (1,619) | | (58,885) |
| Pension liability adjustments | (13,736) | (39,878) | | (157,885) |
| | 110,581 | (35,257) | | 1,271,046 |
| Comprehensive income | 175,101 | 28,920 | + 505.5 | 2,012,655 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | 6,047 | (922) | | 69,506 |
| Comprehensive income attributable to Canon Inc. | ¥ 169,054 | ¥ 29,842 | + 466.5 | \$ 1,943,149 |

| | Millions of yen | | Change(%) | Thousands of |
|---|---------------------------------|---------------------------------|-----------|---|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | | U.S. dollars |
| Results for the fiscal year | | | | Year ended December 31, 2012 |
| Consolidated net income | ¥ 232,445 | ¥ 254,109 | - 8.5 | \$ 2,671,782 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | 133,735 | (54,086) | | 1,537,184 |
| Net unrealized gains and losses on securities | 3,265 | (2,116) | | 37,529 |
| Net gains and losses on derivative instruments | (4,880) | (449) | | (56,092) |
| Pension liability adjustments | (12,787) | (38,377) | | (146,978) |
| | 119,333 | (95,028) | | 1,371,643 |
| Comprehensive income | 351,778 | 159,081 | + 121.1 | 4,043,425 |
| Less: Comprehensive income attributable to noncontrolling interests | 10,824 | 1,765 | | 124,414 |
| Comprehensive income attributable to Canon Inc. | ¥ 340,954 | ¥ 157,316 | + 116.7 | \$ 3,919,011 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| Sales by business unit | Millions of yen | | | Thousands of U.S. dollars | |
|------------------------|--------------------|--------------------|-----------|---------------------------|---------------|
| | Three months ended | Three months ended | Change(%) | Three months ended | |
| | December 31, 2012 | December 31, 2011 | | December 31, 2012 | |
| Office | ¥ 456,323 | ¥ 498,341 | - | 8.4 | \$ 5,245,092 |
| Imaging System | 410,675 | 372,765 | + | 10.2 | 4,720,402 |
| Industry and Others | 106,768 | 114,030 | - | 6.4 | 1,227,218 |
| Eliminations | (22,372) | (20,379) | - | - | (257,149) |
| Total | ¥ 951,394 | ¥ 964,757 | - | 1.4 | \$ 10,935,563 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars | |
|------------------|--------------------|--------------------|-----------|---------------------------|---------------|
| | Three months ended | Three months ended | Change(%) | Three months ended | |
| | December 31, 2012 | December 31, 2011 | | December 31, 2012 | |
| Japan | ¥ 198,803 | ¥ 201,320 | - | 1.3 | \$ 2,285,092 |
| Overseas: | | | | | |
| Americas | 266,352 | 274,304 | - | 2.9 | 3,061,517 |
| Europe | 288,909 | 290,648 | - | 0.6 | 3,320,793 |
| Asia and Oceania | 197,330 | 198,485 | - | 0.6 | 2,268,161 |
| | 752,591 | 763,437 | - | 1.4 | 8,650,471 |
| Total | ¥ 951,394 | ¥ 964,757 | - | 1.4 | \$ 10,935,563 |

| Sales by business unit | Millions of yen | | | Thousands of U.S. dollars | |
|------------------------|-------------------|-------------------|-----------|---------------------------|---------------|
| | Year ended | Year ended | Change(%) | Year ended | |
| | December 31, 2012 | December 31, 2011 | | December 31, 2012 | |
| Office | ¥ 1,757,575 | ¥ 1,917,943 | - | 8.4 | \$ 20,202,011 |
| Imaging System | 1,405,971 | 1,312,044 | + | 7.2 | 16,160,586 |
| Industry and Others | 407,840 | 420,863 | - | 3.1 | 4,687,816 |
| Eliminations | (91,598) | (93,417) | - | - | (1,052,850) |
| Total | ¥ 3,479,788 | ¥ 3,557,433 | - | 2.2 | \$ 39,997,563 |

Millions of yen

Thousands of U.S. dollars

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| Sales by region | Year ended | Year ended | Change(%) | | Year ended |
|------------------|----------------------|-------------------|-----------|-----|-------------------|
| | December 31, 2012 | December 31, 2011 | | | December 31, 2012 |
| Japan | ¥ 720,286 | ¥ 694,450 | + | 3.7 | \$ 8,279,149 |
| Overseas: | | | | | |
| Americas | 939,873 | 961,955 | - | 2.3 | 10,803,138 |
| Europe | 1,014,038 | 1,113,065 | - | 8.9 | 11,655,609 |
| Asia and Oceania | 805,591 | 787,963 | + | 2.2 | 9,259,667 |
| | 2,759,502 | 2,862,983 | - | 3.6 | 31,718,414 |
| Total | ¥ 3,479,788 | ¥ 3,557,433 | - | 2.2 | \$ 39,997,563 |

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

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

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

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

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

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

Americas: United States of America, Canada, Latin America

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

Asia and Oceania: China, Asian countries, Australia

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF EQUITY

Millions of yen

| | Common Stock | Additional paid-in capital | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Total Canon Inc. stockholders equity | Noncontrolling interests | Total equity |
|--|-----------------|-------------------------------|------------------|----------------------|---|----------------|---|-----------------------------|-----------------|
| Balance at December 31, 2010 | ¥ 174,762 | ¥ 400,425 | ¥ 57,930 | ¥ 2,965,237 | ¥ (390,459) | ¥ (562,113) | ¥ 2,645,782 | ¥ 163,855 | ¥ 2,809,637 |
| Equity transactions with noncontrolling interests and other | | 1,193 | | (609) | | | 584 | (247) | 337 |
| Dividends paid to Canon Inc. stockholders | | | | (152,784) | | | (152,784) | | (152,784) |
| Dividends paid to noncontrolling interests | | | | | | | | (2,838) | (2,838) |
| Transfers to legal reserve | | | 1,074 | (1,074) | | | - | | - |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 248,630 | | | 248,630 | 5,479 | 254,109 |
| Other comprehensive income (loss), net of tax | | | | | | | | | |
| Foreign currency translation adjustments | | | | | (53,251) | | (53,251) | (835) | (54,086) |
| Net unrealized gains and losses on securities | | | | | (2,017) | | (2,017) | (99) | (2,116) |
| Net gains and losses on derivative instruments | | | | | (462) | | (462) | 13 | (449) |
| Pension liability adjustments | | | | | (35,584) | | (35,584) | (2,793) | (38,377) |
| Total comprehensive income | | | | | | | 157,316 | 1,765 | 159,081 |
| Repurchase of treasury stock, net | | (46) | | (102) | | (99,618) | (99,766) | | (99,766) |
| Balance at December 31, 2011 | ¥ 174,762 | ¥ 401,572 | ¥ 59,004 | ¥ 3,059,298 | ¥ (481,773) | ¥ (661,731) | ¥ 2,551,132 | ¥ 162,535 | ¥ 2,713,667 |
| Equity transactions with noncontrolling interests and other | | | | | | | | | |
| Dividends paid to Canon Inc. stockholders | | | | 152 | (1,866) | | (1,730) | (13,591) | (15,321) |
| Dividends paid to noncontrolling interests | | | | | | | | (3,492) | (3,492) |
| Transfers to legal reserve | | | 2,659 | (2,659) | | | - | | - |

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| | | | | | | | | | |
|--|-----------|-----------|----------|-------------|-------------|-------------|-------------|-----------|-------------|
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 224,564 | | | 224,564 | 7,881 | 232,445 |
| Other comprehensive income (loss), net of tax | | | | | | | | | |
| Foreign currency translation adjustments | | | | 132,704 | | | 132,704 | 1,031 | 133,735 |
| Net unrealized gains and losses on securities | | | | 3,148 | | | 3,148 | 117 | 3,265 |
| Net gains and losses on derivative instruments | | | | (4,882) | | | (4,882) | 2 | (4,880) |
| Pension liability adjustments | | | | (14,580) | | | (14,580) | 1,793 | (12,787) |
| Total comprehensive income | | | | | | | 340,954 | 10,824 | 351,778 |
| Repurchase of treasury stock, net | | (9) | | (17) | | (149,942) | (149,968) | | (149,968) |
| Balance at December 31, 2012 | ¥ 174,762 | ¥ 401,547 | ¥ 61,663 | ¥ 3,138,976 | ¥ (367,249) | ¥ (811,673) | ¥ 2,598,026 | ¥ 156,276 | ¥ 2,754,302 |

Thousands of U.S. dollars

| | | | | | | | | | |
|---|--------------|--------------|------------|---------------|----------------|----------------|---------------|--------------|---------------|
| Balance at December 31, 2011 | \$ 2,008,759 | \$ 4,615,770 | \$ 678,207 | \$ 35,164,345 | \$ (5,537,621) | \$ (7,606,104) | \$ 29,323,356 | \$ 1,868,219 | \$ 31,191,575 |
| Equity transactions with noncontrolling interests and other | | | | | | | | | |
| Dividends paid to Canon Inc. stockholders | | (184) | | 1,748 | (21,448) | | (19,884) | (156,219) | (176,103) |
| Dividends paid to noncontrolling interests | | | | (1,636,345) | | | (1,636,345) | | (1,636,345) |
| Transfers to legal reserve | | | 30,563 | (30,563) | | | - | (40,138) | (40,138) |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 2,581,195 | | | 2,581,195 | 90,587 | 2,671,782 |
| Other comprehensive income (loss), net of tax | | | | | | | | | |
| Foreign currency translation adjustments | | | | 1,525,333 | | | 1,525,333 | 11,851 | 1,537,184 |
| Net unrealized gains and losses on securities | | | | 36,184 | | | 36,184 | 1,345 | 37,529 |
| Net gains and losses on derivative instruments | | | | (56,115) | | | (56,115) | 23 | (56,092) |
| Pension liability adjustments | | | | (167,586) | | | (167,586) | 20,608 | (146,978) |
| Total comprehensive income | | (103) | | (196) | | (1,723,471) | 3,919,011 | 124,414 | 4,043,425 |
| | | | | | | | (1,723,770) | | (1,723,770) |

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Repurchase of
treasury stock, net
Balance at

| | | | | | | | | | |
|-------------------|--------------|--------------|------------|---------------|----------------|----------------|---------------|--------------|---------------|
| December 31, 2012 | \$ 2,008,759 | \$ 4,615,483 | \$ 708,770 | \$ 36,080,184 | \$ (4,221,253) | \$ (9,329,575) | \$ 29,862,368 | \$ 1,796,276 | \$ 31,658,644 |
|-------------------|--------------|--------------|------------|---------------|----------------|----------------|---------------|--------------|---------------|

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|---|---------------------------------|---------------------------------|---------------------------------|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | Year ended December 31, 2012 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 232,445 | ¥ 254,109 | \$ 2,671,782 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 258,133 | 261,343 | 2,967,046 |
| Loss on disposal of fixed assets | 11,242 | 8,937 | 129,218 |
| Deferred income taxes | 7,487 | 29,129 | 86,057 |
| Decrease in trade receivables | 5,030 | 9,991 | 57,816 |
| Increase in inventories | (24,805) | (109,983) | (285,115) |
| Increase (decrease) in trade payables | (102,293) | 35,766 | (1,175,782) |
| Increase (decrease) in accrued income taxes | 12,427 | (25,653) | 142,839 |
| Increase (decrease) in accrued expenses | (30,089) | 8,938 | (345,851) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | 5,515 | (2,315) | 63,391 |
| Other, net | 8,985 | (700) | 103,277 |
| Net cash provided by operating activities | 384,077 | 469,562 | 4,414,678 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (316,211) | (238,129) | (3,634,609) |
| Proceeds from sale of fixed assets | 4,861 | 3,273 | 55,874 |
| Purchases of available-for-sale securities | (417) | (2,160) | (4,793) |
| Proceeds from sale and maturity of available-for-sale securities | 344 | 1,934 | 3,954 |
| (Increase) decrease in time deposits, net | 103,137 | (34,111) | 1,185,483 |
| Acquisitions of subsidiaries, net of cash acquired | (704) | 29 | (8,092) |
| Purchases of other investments | (796) | (373) | (9,149) |
| Other, net | (2,954) | 12,994 | (33,955) |
| Net cash used in investing activities | (212,740) | (256,543) | (2,445,287) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 614 | 725 | 7,057 |
| Repayments of long-term debt | (3,732) | (4,670) | (42,897) |
| Increase (decrease) in short-term loans, net | (5,055) | 2,466 | (58,103) |
| Dividends paid | (142,362) | (152,784) | (1,636,345) |
| Repurchases of treasury stock, net | (149,968) | (99,766) | (1,723,770) |
| Other, net | (19,236) | (3,484) | (221,103) |
| Net cash used in financing activities | (319,739) | (257,513) | (3,675,161) |
| Effect of exchange rate changes on cash and cash equivalents | 41,853 | (22,858) | 481,069 |
| Net change in cash and cash equivalents | (106,549) | (67,352) | (1,224,701) |
| Cash and cash equivalents at beginning of year | 773,227 | 840,579 | 8,887,667 |
| Cash and cash equivalents at end of year | ¥ 666,678 | ¥ 773,227 | \$ 7,662,966 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| <u>Results for the fourth quarter</u> | Millions of yen | | | Change(%) | Thousands of |
|---------------------------------------|--|--|--------|--------------|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2011 | | | U.S. dollars Three months ended December 31, 2012 |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 454,691 | ¥ 497,458 | - 8.6 | \$ 5,226,333 | |
| Intersegment | 1,632 | 883 | + 84.8 | 18,759 | |
| Total | 456,323 | 498,341 | - 8.4 | 5,245,092 | |
| Operating cost and expenses | 405,051 | 429,747 | - 5.7 | 4,655,759 | |
| Operating profit | ¥ 51,272 | ¥ 68,594 | - 25.3 | \$ 589,333 | |
| Imaging System | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 410,292 | ¥ 372,495 | + 10.1 | \$ 4,716,000 | |
| Intersegment | 383 | 270 | + 41.9 | 4,402 | |
| Total | 410,675 | 372,765 | + 10.2 | 4,720,402 | |
| Operating cost and expenses | 355,712 | 321,867 | + 10.5 | 4,088,643 | |
| Operating profit | ¥ 54,963 | ¥ 50,898 | + 8.0 | \$ 631,759 | |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 86,411 | ¥ 94,804 | - 8.9 | \$ 993,230 | |
| Intersegment | 20,357 | 19,226 | + 5.9 | 233,988 | |
| Total | 106,768 | 114,030 | - 6.4 | 1,227,218 | |
| Operating cost and expenses | 116,218 | 110,253 | + 5.4 | 1,335,839 | |
| Operating profit (loss) | ¥ (9,450) | ¥ 3,777 | - | \$ (108,621) | |

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Corporate and Eliminations

Net sales:

| | | | | |
|-----------------------------|------------|------------|---|--------------|
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (22,372) | (20,379) | - | (257,149) |
| Total | (22,372) | (20,379) | - | (257,149) |
| Operating cost and expenses | (3,291) | 8,280 | - | (37,827) |
| Operating profit | ¥ (19,081) | ¥ (28,659) | - | \$ (219,322) |

Consolidated

Net sales:

| | | | | |
|-----------------------------|-----------|-----------|--------|---------------|
| External customers | ¥ 951,394 | ¥ 964,757 | - 1.4 | \$ 10,935,563 |
| Intersegment | - | - | - | - |
| Total | 951,394 | 964,757 | - 1.4 | 10,935,563 |
| Operating cost and expenses | 873,690 | 870,147 | + 0.4 | 10,042,414 |
| Operating profit | ¥ 77,704 | ¥ 94,610 | - 17.9 | \$ 893,149 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| Results for the fiscal year | Millions of yen | | | Change(%) | Thousands of |
|------------------------------------|---------------------------------|---------------------------------|--------|-----------|---|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | | | U.S. dollars Year ended December 31, 2012 |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,751,960 | ¥ 1,912,112 | - 8.4 | | \$ 20,137,471 |
| Intersegment | 5,615 | 5,831 | - 3.7 | | 64,540 |
| Total | 1,757,575 | 1,917,943 | - 8.4 | | 20,202,011 |
| Operating cost and expenses | 1,553,997 | 1,658,678 | - 6.3 | | 17,862,034 |
| Operating profit | 203,578 | 259,265 | - 21.5 | | 2,339,977 |
| Total assets | 828,222 | 821,782 | + 0.8 | | 9,519,793 |
| Depreciation and amortization | 77,660 | 93,196 | - 16.7 | | 892,644 |
| Capital expenditures | ¥ 58,402 | ¥ 53,888 | + 8.4 | | \$ 671,287 |
| Imaging System | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,404,394 | ¥ 1,311,023 | + 7.1 | | \$ 16,142,460 |
| Intersegment | 1,577 | 1,021 | + 54.5 | | 18,126 |
| Total | 1,405,971 | 1,312,044 | + 7.2 | | 16,160,586 |
| Operating cost and expenses | 1,195,653 | 1,100,750 | + 8.6 | | 13,743,138 |
| Operating profit | 210,318 | 211,294 | - 0.5 | | 2,417,448 |
| Total assets | 614,328 | 452,809 | + 35.7 | | 7,061,241 |
| Depreciation and amortization | 53,664 | 45,609 | + 17.7 | | 616,828 |
| Capital expenditures | ¥ 58,142 | ¥ 48,192 | + 20.6 | | \$ 668,299 |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 323,434 | ¥ 334,298 | - 3.2 | | \$ 3,717,632 |
| Intersegment | 84,406 | 86,565 | - 2.5 | | 970,184 |
| Total | 407,840 | 420,863 | - 3.1 | | 4,687,816 |
| Operating cost and expenses | 401,930 | 396,563 | + 1.4 | | 4,619,885 |
| Operating profit | 5,910 | 24,300 | - 75.7 | | 67,931 |
| Total assets | 337,899 | 362,638 | - 6.8 | | 3,883,897 |
| Depreciation and amortization | 34,264 | 29,685 | + 15.4 | | 393,839 |
| Capital expenditures | ¥ 44,086 | ¥ 37,648 | + 17.1 | | \$ 506,736 |

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Corporate and Eliminations

Net sales:

| | | | | |
|-------------------------------|-----------|-----------|--------|--------------|
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (91,598) | (93,417) | - | (1,052,850) |
| Total | (91,598) | (93,417) | - | (1,052,850) |
| Operating cost and expenses | 4,352 | 23,371 | - | 50,023 |
| Operating profit | (95,950) | (116,788) | - | (1,102,873) |
| Total assets | 2,175,054 | 2,293,498 | - 5.2 | 25,000,621 |
| Depreciation and amortization | 92,545 | 92,853 | - 0.3 | 1,063,735 |
| Capital expenditures | ¥ 146,031 | ¥ 122,753 | + 19.0 | \$ 1,678,517 |

Consolidated

Net sales:

| | | | | |
|-------------------------------|-------------|-------------|--------|---------------|
| External customers | ¥ 3,479,788 | ¥ 3,557,433 | - 2.2 | \$ 39,997,563 |
| Intersegment | - | - | - | - |
| Total | 3,479,788 | 3,557,433 | - 2.2 | 39,997,563 |
| Operating cost and expenses | 3,155,932 | 3,179,362 | - 0.7 | 36,275,080 |
| Operating profit | 323,856 | 378,071 | - 14.3 | 3,722,483 |
| Total assets | 3,955,503 | 3,930,727 | + 0.6 | 45,465,552 |
| Depreciation and amortization | 258,133 | 261,343 | - 1.2 | 2,967,046 |
| Capital expenditures | ¥ 306,661 | ¥ 262,481 | + 16.8 | \$ 3,524,839 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| | Millions of yen | | | Thousands of U.S. dollars | |
|---------------------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|--|
| | Three months ended December 31, 2012 | Three months ended December 31, 2011 | Change(%) | Three months ended December 31, 2012 | |
| Results for the fourth quarter | | | | | |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 235,054 | ¥ 235,536 | - 0.2 | \$ 2,701,770 | |
| Intersegment | 432,284 | 453,351 | - 4.6 | 4,968,782 | |
| Total | 667,338 | 688,887 | - 3.1 | 7,670,552 | |
| Operating cost and expenses | 581,197 | 573,720 | + 1.3 | 6,680,426 | |
| Operating profit | ¥ 86,141 | ¥ 115,167 | - 25.2 | \$ 990,126 | |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 265,178 | ¥ 270,657 | - 2.0 | \$ 3,048,023 | |
| Intersegment | 5,610 | 3,865 | + 45.1 | 64,483 | |
| Total | 270,788 | 274,522 | - 1.4 | 3,112,506 | |
| Operating cost and expenses | 266,439 | 270,760 | - 1.6 | 3,062,517 | |
| Operating profit | ¥ 4,349 | ¥ 3,762 | + 15.6 | \$ 49,989 | |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 287,103 | ¥ 290,453 | - 1.2 | \$ 3,300,034 | |
| Intersegment | 1,339 | 1,198 | + 11.8 | 15,391 | |
| Total | 288,442 | 291,651 | - 1.1 | 3,315,425 | |
| Operating cost and expenses | 271,253 | 280,512 | - 3.3 | 3,117,850 | |
| Operating profit | ¥ 17,189 | ¥ 11,139 | + 54.3 | \$ 197,575 | |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 164,059 | ¥ 168,111 | - 2.4 | \$ 1,885,736 | |
| Intersegment | 185,498 | 183,399 | + 1.1 | 2,132,161 | |
| Total | 349,557 | 351,510 | - 0.6 | 4,017,897 | |

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| | | | | | |
|-----------------------------------|-------------------|------------|---|------|----------------------|
| Operating cost and expenses | 347,868 | 351,680 | - | 1.1 | 3,998,483 |
| Operating profit (loss) | ¥ 1,689 | ¥ (170) | - | | \$ 19,414 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | | \$ - |
| Intersegment | (624,731) | (641,813) | - | | (7,180,817) |
| Total | (624,731) | (641,813) | - | | (7,180,817) |
| Operating cost and expenses | (593,067) | (606,525) | - | | (6,816,862) |
| Operating profit | ¥ (31,664) | ¥ (35,288) | - | | \$ (363,955) |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 951,394 | ¥ 964,757 | - | 1.4 | \$ 10,935,563 |
| Intersegment | - | - | - | | - |
| Total | 951,394 | 964,757 | - | 1.4 | 10,935,563 |
| Operating cost and expenses | 873,690 | 870,147 | + | 0.4 | 10,042,414 |
| Operating profit | ¥ 77,704 | ¥ 94,610 | - | 17.9 | \$ 893,149 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Millions of yen

Thousands of
U.S. dollars**Results for the fiscal year**

| | Year ended December 31, 2012 | Year ended December 31, 2011 | Change(%) | Year ended December 31, 2012 |
|-----------------------------|------------------------------------|---------------------------------|-----------|---------------------------------|
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 834,406 | ¥ 807,883 | + 3.3 | \$ 9,590,874 |
| Intersegment | 1,829,834 | 1,873,157 | - 2.3 | 21,032,574 |
| Total | 2,664,240 | 2,681,040 | - 0.6 | 30,623,448 |
| Operating cost and expenses | 2,336,536 | 2,273,336 | + 2.8 | 26,856,735 |
| Operating profit | 327,704 | 407,704 | - 19.6 | 3,766,713 |
| Total assets | ¥ 1,206,702 | ¥ 1,236,468 | - 2.4 | \$ 13,870,138 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 932,987 | ¥ 952,833 | - 2.1 | \$ 10,723,989 |
| Intersegment | 23,767 | 16,217 | + 46.6 | 273,183 |
| Total | 956,754 | 969,050 | - 1.3 | 10,997,172 |
| Operating cost and expenses | 937,111 | 948,593 | - 1.2 | 10,771,390 |
| Operating profit | 19,643 | 20,457 | - 4.0 | 225,782 |
| Total assets | ¥ 339,918 | ¥ 250,131 | + 35.9 | \$ 3,907,103 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,010,922 | ¥ 1,109,256 | - 8.9 | \$ 11,619,793 |
| Intersegment | 5,650 | 4,681 | + 20.7 | 64,943 |
| Total | 1,016,572 | 1,113,937 | - 8.7 | 11,684,736 |
| Operating cost and expenses | 972,585 | 1,069,489 | - 9.1 | 11,179,138 |
| Operating profit | 43,987 | 44,448 | - 1.0 | 505,598 |
| Total assets | ¥ 457,592 | ¥ 427,030 | + 7.2 | \$ 5,259,678 |
| Asia and Oceania | | | | |
| Net sales: | | | | |

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| | | | | |
|-----------------------------------|-------------|-------------|--------|---------------|
| External customers | ¥ 701,473 | ¥ 687,461 | + 2.0 | \$ 8,062,907 |
| Intersegment | 781,836 | 744,179 | + 5.1 | 8,986,622 |
| Total | 1,483,309 | 1,431,640 | + 3.6 | 17,049,529 |
| Operating cost and expenses | 1,437,527 | 1,388,580 | + 3.5 | 16,523,299 |
| Operating profit | 45,782 | 43,060 | + 6.3 | 526,230 |
| Total assets | ¥ 548,583 | ¥ 442,263 | + 24.0 | \$ 6,305,552 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (2,641,087) | (2,638,234) | - | (30,357,322) |
| Total | (2,641,087) | (2,638,234) | - | (30,357,322) |
| Operating cost and expenses | (2,527,827) | (2,500,636) | - | (29,055,482) |
| Operating profit | (113,260) | (137,598) | - | (1,301,840) |
| Total assets | ¥ 1,402,708 | ¥ 1,574,835 | - | \$ 16,123,081 |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 3,479,788 | ¥ 3,557,433 | - 2.2 | \$ 39,997,563 |
| Intersegment | - | - | - | - |
| Total | 3,479,788 | 3,557,433 | - 2.2 | 39,997,563 |
| Operating cost and expenses | 3,155,932 | 3,179,362 | - 0.7 | 36,275,080 |
| Operating profit | 323,856 | 378,071 | - 14.3 | 3,722,483 |
| Total assets | ¥ 3,955,503 | ¥ 3,930,727 | + 0.6 | \$ 45,465,552 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | December 31, 2012 | December 31, 2011 | Change |
|--------------|-------------------|-------------------|--------|
| Subsidiaries | 275 | 277 | (2) |
| Affiliates | 9 | 11 | (2) |
| Total | 284 | 288 | (4) |

2. Change in Group Entities

| | |
|-------------------------------------|--------------|
| Subsidiaries | |
| Addition: | 21 companies |
| Removal: | 23 companies |
| Affiliates(Carried at Equity Basis) | |
| Removal: | 2 companies |

3. Subsidiaries Listed on Domestic Stock Exchange

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

(2) SIGNIFICANT ACCOUNTING POLICIES

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| Results for the fiscal year | Millions of yen | | Thousands of U.S. dollars |
|--|------------------------------------|------------------------------------|------------------------------------|
| | Year ended December 31, 2012 | Year ended December 31, 2011 | Year ended December 31, 2012 |
| Net income attributable to Canon Inc. | | | |
| -Basic | ¥ 224,564 | ¥ 248,630 | \$ 2,581,195 |
| -Diluted | 224,564 | 248,630 | 2,581,195 |
| | Number of shares | | |
| Average common shares outstanding | | | |
| -Basic | 1,173,647,835 | 1,215,832,419 | |
| -Diluted | 1,173,668,409 | 1,215,892,971 | |
| | Yen | | U.S. dollars |
| Net income attributable to Canon Inc. stockholders per share: | | | |
| -Basic | ¥ 191.34 | ¥ 204.49 | \$ 2.20 |
| -Diluted | 191.34 | 204.48 | 2.20 |

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

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

(3) SUBSEQUENT EVENT

There is no significant subsequent event.

CANON INC.

NON-CONSOLIDATED

10. NON-CONSOLIDATED BALANCE SHEETS

(Parent company only)

Millions of yen

| | As of December 31, 2012 | As of December 31, 2011 |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | ¥ 28,719 | ¥ 124,069 |
| Trade receivables | 552,776 | 548,293 |
| Marketable securities | 51,420 | 113,680 |
| Inventories | 183,965 | 153,810 |
| Prepaid expenses and other current assets | 178,881 | 217,675 |
| Allowance for doubtful receivables | (398) | - |
| Total current assets | 995,363 | 1,157,527 |
| Fixed assets: | | |
| Net property, plant and equipment | 723,256 | 750,924 |
| Intangibles | 31,950 | 35,447 |
| Investments and other fixed assets | 586,508 | 567,764 |
| Allowance for doubtful receivables-noncurrent | (75) | (54) |
| Total fixed assets | 1,341,639 | 1,354,081 |
| Total assets | ¥ 2,337,002 | ¥ 2,511,608 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Trade payables | ¥ 293,627 | ¥ 290,029 |
| Short-term loans | 239,741 | 282,358 |
| Accrued income taxes | 40,868 | 23,614 |
| Accrued warranty expenses | 1,980 | 2,988 |
| Accrued bonuses for employees | 4,382 | 4,352 |
| Accrued bonuses for directors | 191 | 229 |
| Other current liabilities | 119,828 | 134,610 |
| Total current liabilities | 700,617 | 738,180 |
| Noncurrent liabilities: | | |
| Accrued pension and severance cost | 33,507 | 33,014 |
| Accrued directors' retirement benefits | 1,575 | 1,789 |
| Reserve for environmental provision | 5,084 | 7,986 |
| Accrued long service rewards for employees | 1,522 | 1,533 |
| Other noncurrent liabilities | 9 | 10 |
| Total noncurrent liabilities | 41,697 | 44,332 |

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| | | |
|---------------------------------------|--------------------|-------------|
| Total liabilities | 742,314 | 782,512 |
| Net assets: | | |
| Stockholders' equity | 1,593,998 | 1,728,672 |
| Valuation and translation adjustments | (1,669) | (1,719) |
| Subscription right to shares | 2,359 | 2,143 |
| Total net assets | 1,594,688 | 1,729,096 |
| Total liabilities and net assets | ¥ 2,337,002 | ¥ 2,511,608 |

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED STATEMENTS OF INCOME

(Parent company only)

Millions of yen

| | Year ended December 31, 2012 | Year ended December 31, 2011 |
|--|---|------------------------------------|
| Net sales | ¥ 2,113,420 | ¥ 2,160,732 |
| Cost of sales | 1,488,101 | 1,463,994 |
| Gross profit | 625,319 | 696,738 |
| Selling, general and administrative expenses | 426,624 | 449,824 |
| Operating profit | 198,695 | 246,914 |
| Other income (deductions): | | |
| Interest and dividend income | 12,153 | 17,266 |
| Interest expense | (2,214) | (2,238) |
| Other, net | 27,094 | 20,110 |
| | 37,033 | 35,138 |
| Ordinary profit | 235,728 | 282,052 |
| Non-ordinary gain (loss), net | (4,622) | (39,903) |
| Income before income taxes | 231,106 | 242,149 |
| Income taxes | 73,459 | 68,948 |
| Net income | ¥ 157,647 | ¥ 173,201 |

CANON INC.

NON-CONSOLIDATED

12. NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**(Parent company only)**

| | Millions of yen | |
|--|---|------------------------------------|
| | Year ended December 31, 2012 | Year ended December 31, 2011 |
| Stockholders' equity | | |
| Common stock | | |
| Balance at the beginning of current period | ¥ 174,762 | ¥ 174,762 |
| Changes of items during the period | | |
| Total changes of items during the period | | |
| Balance at the end of current period | 174,762 | 174,762 |
| Capital surplus | | |
| Additional paid-in capital | | |
| Balance at the beginning of current period | 306,288 | 306,288 |
| Changes of items during the period | | |
| Total changes of items during the period | | |
| Balance at the end of current period | 306,288 | 306,288 |
| Retained earnings | | |
| Legal reserve | | |
| Balance at the beginning of current period | 22,114 | 22,114 |
| Changes of items during the period | | |
| Total changes of items during the period | | |
| Balance at the end of current period | 22,114 | 22,114 |
| Other retained earnings | | |
| Reserve for special depreciation | | |
| Balance at the beginning of current period | 371 | 796 |
| Changes of items during the period | | |
| Transfer to reserve for special depreciation | 240 | |
| Reversal of reserve for special depreciation | (177) | (425) |
| Total changes of items during the period | 63 | (425) |
| Balance at the end of current period | 434 | 371 |
| Reserve for deferral of capital gain on property | | |
| Balance at the beginning of current period | 2,983 | 2,913 |
| Changes of items during the period | | |
| Transfer to reserve for deferral of capital gain on property | 201 | 165 |

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| | | |
|--|-----------|-----------|
| Reversal of reserve for deferral of capital gain on property | (95) | (95) |
| Total changes of items during the period | 106 | 70 |
| Balance at the end of current period | 3,089 | 2,983 |
| Special reserves | | |
| Balance at the beginning of current period | 1,249,928 | 1,249,928 |
| Changes of items during the period | | |
| Total changes of items during the period | | |
| Balance at the end of current period | 1,249,928 | 1,249,928 |
| Retained earnings | | |
| Balance at the beginning of current period | 633,957 | 613,287 |
| Changes of items during the period | | |
| Transfer to reserve for special depreciation | (240) | |
| Reversal of reserve for special depreciation | 177 | 425 |
| Transfer to reserve for deferral of capital gain on property | (201) | (165) |
| Reversal of reserve for deferral of capital gain on property | 95 | 95 |
| Dividends paid | (142,362) | (152,784) |
| Net income | 157,647 | 173,201 |
| Disposal of treasury stock | (17) | (102) |
| Total changes of items during the period | 15,099 | 20,670 |
| Balance at the end of current period | 649,056 | 633,957 |

CANON INC.

NON-CONSOLIDATED

Millions of yen

| | Year ended December 31, 2012 | Year ended December 31, 2011 |
|--|---|------------------------------------|
| Treasury stock | | |
| Balance at the beginning of current period | (661,731) | (562,113) |
| Changes of items during the period | | |
| Purchase of treasury stock | (150,020) | (100,038) |
| Disposal of treasury stock | 78 | 420 |
| Total changes of items during the period | (149,942) | (99,618) |
| Balance at the end of current period | (811,673) | (661,731) |
| Total stockholders' equity | | |
| Balance at the beginning of current period | 1,728,672 | 1,807,975 |
| Changes of items during the period | | |
| Dividends paid | (142,362) | (152,784) |
| Net income | 157,647 | 173,201 |
| Purchase of treasury stock | (150,020) | (100,038) |
| Disposal of treasury stock | 61 | 318 |
| Total changes of items during the period | (134,674) | (79,303) |
| Balance at the end of current period | 1,593,998 | 1,728,672 |
| Valuation and translation adjustments | | |
| Net unrealized gains (losses) on securities | | |
| Balance at the beginning of current period | (2,107) | 1,358 |
| Changes of items during the period | | |
| Net changes of items other than stockholders' equity | 2,806 | (3,465) |
| Total changes of items during the period | 2,806 | (3,465) |
| Balance at the end of current period | 699 | (2,107) |
| Net deferred profits (losses) on hedges | | |
| Balance at the beginning of current period | 388 | 1,127 |
| Changes of items during the period | | |
| Net changes of items other than stockholders' equity | (2,756) | (739) |
| Total changes of items during the period | (2,756) | (739) |
| Balance at the end of current period | (2,368) | 388 |
| Subscription rights to shares | | |
| Balance at the beginning of current period | 2,143 | 1,441 |
| Changes of items during the period | | |
| Net changes of items other than stockholders' equity | 216 | 702 |

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| | | |
|--|--------------------|-------------|
| Total changes of items during the period | 216 | 702 |
| Balance at the end of current period | 2,359 | 2,143 |
| Total net assets | | |
| Balance at the beginning of current period | 1,729,096 | 1,811,901 |
| Changes of items during the period | | |
| Dividends paid | (142,362) | (152,784) |
| Net income | 157,647 | 173,201 |
| Purchase of treasury stock | (150,020) | (100,038) |
| Disposal of treasury stock | 61 | 318 |
| Net changes of items other than stockholders' equity | 266 | (3,502) |
| Total changes of items during the period | (134,408) | (82,805) |
| Balance at the end of current period | ¥ 1,594,688 | ¥ 1,729,096 |

CANON INC.

NON-CONSOLIDATED

13. NOTE FOR GOING CONCERN ASSUMPTION

(Parent company only)

Not applicable.

- 23 -

Directors

(Current Titles are Shown in the Parentheses)

(1) Candidates for new Directors to be appointed on March 28

Masanori Yamada (Senior Executive Officer, Group Executive of Network Visual Solution Business Promotion Headquarters)

Aitake Wakiya (Executive Officer, Deputy Group Executive of Finance & Accounting Headquarters)

Kazuto Ono (Executive Officer, Group Executive of Human Resources Management & Organization Headquarters)

Executive Officers

(1) Candidate for Executive Officer to be promoted on April 1

Senior Executive Officer Seymour Liebman (Executive Officer, Executive Vice President of Canon U.S.A., Inc.)

(2) Candidates for new Executive Officers to be appointed on April 1

Nobutoshi Mizusawa (Group Executive of R&D Project Group)

Yoichi Iwabuchi (Senior General Manager of Software Platform Technology Development Center)

(3) Candidate for Executive Officer to be retired on March 31

Advisor to be appointed on April 1 Yukiaki Hashimoto (Executive Officer)

January 30, 2013

**CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2012
SUPPLEMENTARY REPORT**

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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "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 (2012)

| | 2012 | | 2011 | | (Millions of yen) | | |
|-------------------------|-------------|-----------|-------------|-----------|-----------------------|-------------|------|
| | 4th quarter | Year | 4th quarter | Year | Change year over year | 4th quarter | Year |
| | | | | | | | |
| Japan | | | | | | | |
| Office | 94,052 | 368,939 | 97,192 | 362,528 | -3.2% | +1.8% | |
| Imaging System | 74,403 | 213,465 | 61,590 | 187,397 | +20.8% | +13.9% | |
| Industry and Others | 30,348 | 137,882 | 42,538 | 144,525 | -28.7% | -4.6% | |
| Total | 198,803 | 720,286 | 201,320 | 694,450 | -1.3% | +3.7% | |
| Overseas | | | | | | | |
| Office | 360,639 | 1,383,021 | 400,266 | 1,549,584 | -9.9% | -10.7% | |
| Imaging System | 335,889 | 1,190,929 | 310,905 | 1,123,626 | +8.0% | +6.0% | |
| Industry and Others | 56,063 | 185,552 | 52,266 | 189,773 | +7.3% | -2.2% | |
| Total | 752,591 | 2,759,502 | 763,437 | 2,862,983 | -1.4% | -3.6% | |
| Americas | | | | | | | |
| Office | 134,820 | 530,382 | 153,937 | 588,190 | -12.4% | -9.8% | |
| Imaging System | 120,383 | 366,888 | 109,762 | 335,158 | +9.7% | +9.5% | |
| Industry and Others | 11,149 | 42,603 | 10,605 | 38,607 | +5.1% | +10.4% | |
| Total | 266,352 | 939,873 | 274,304 | 961,955 | -2.9% | -2.3% | |
| Europe | | | | | | | |
| Office | 165,551 | 597,341 | 179,701 | 696,239 | -7.9% | -14.2% | |
| Imaging System | 116,522 | 394,612 | 105,012 | 391,747 | +11.0% | +0.7% | |
| Industry and Others | 6,836 | 22,085 | 5,935 | 25,079 | +15.2% | -11.9% | |
| Total | 288,909 | 1,014,038 | 290,648 | 1,113,065 | -0.6% | -8.9% | |
| Asia and Oceania | | | | | | | |
| Office | 60,268 | 255,298 | 66,628 | 265,155 | -9.5% | -3.7% | |
| Imaging System | 98,984 | 429,429 | 96,131 | 396,721 | +3.0% | +8.2% | |
| Industry and Others | 38,078 | 120,864 | 35,726 | 126,087 | +6.6% | -4.1% | |
| Total | 197,330 | 805,591 | 198,485 | 787,963 | -0.6% | +2.2% | |
| Intersegment | | | | | | | |
| Office | 1,632 | 5,615 | 883 | 5,831 | +84.8% | -3.7% | |
| Imaging System | 383 | 1,577 | 270 | 1,021 | +41.9% | +54.5% | |
| Industry and Others | 20,357 | 84,406 | 19,226 | 86,565 | +5.9% | -2.5% | |
| Eliminations | (22,372) | (91,598) | (20,379) | (93,417) | - | - | |
| Total | 0 | 0 | 0 | 0 | - | - | |
| Total | | | | | | | |
| Office | 456,323 | 1,757,575 | 498,341 | 1,917,943 | -8.4% | -8.4% | |
| Imaging System | 410,675 | 1,405,971 | 372,765 | 1,312,044 | +10.2% | +7.2% | |
| Industry and Others | 106,768 | 407,840 | 114,030 | 420,863 | -6.4% | -3.1% | |
| Eliminations | (22,372) | (91,598) | (20,379) | (93,417) | - | - | |
| Total | 951,394 | 3,479,788 | 964,757 | 3,557,433 | -1.4% | -2.2% | |

2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2013/Projection)**(1) Sales by business unit**

| | 2013 (P) | 2012 | (Millions of yen) |
|---------------------|-----------|-----------|-----------------------|
| | Year | Year | Change year over year |
| | | | Year |
| Office | 1,893,100 | 1,757,575 | +7.7% |
| Imaging System | 1,579,100 | 1,405,971 | +12.3% |
| Industry and Others | 440,800 | 407,840 | +8.1% |
| Eliminations | (103,000) | (91,598) | - |
| Total | 3,810,000 | 3,479,788 | +9.5% |

(P)=Projection

(2) Sales by region

| | 2013 (P) | 2012 | (Millions of yen) |
|------------------|-----------|-----------|-----------------------|
| | Year | Year | Change year over year |
| | | | Year |
| Japan | 748,400 | 720,286 | +3.9% |
| Overseas | 3,061,600 | 2,759,502 | +10.9% |
| Americas | 1,023,400 | 939,873 | +8.9% |
| Europe | 1,146,800 | 1,014,038 | +13.1% |
| Asia and Oceania | 891,400 | 805,591 | +10.7% |
| Total | 3,810,000 | 3,479,788 | +9.5% |

(P)=Projection

3. SEGMENT INFORMATION BY BUSINESS UNIT (2012)

| | 2012 | | 2011 | | (Millions of yen) | |
|-----------------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
| | | | | | Change year over year | |
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| Office | | | | | | |
| External customers | 454,691 | 1,751,960 | 497,458 | 1,912,112 | -8.6% | -8.4% |
| Intersegment | 1,632 | 5,615 | 883 | 5,831 | +84.8% | -3.7% |
| Total sales | 456,323 | 1,757,575 | 498,341 | 1,917,943 | -8.4% | -8.4% |
| Operating profit | 51,272 | 203,578 | 68,594 | 259,265 | -25.3% | -21.5% |
| % of sales | 11.2% | 11.6% | 13.8% | 13.5% | - | - |
| Imaging System | | | | | | |
| External customers | 410,292 | 1,404,394 | 372,495 | 1,311,023 | +10.1% | +7.1% |
| Intersegment | 383 | 1,577 | 270 | 1,021 | +41.9% | +54.5% |
| Total sales | 410,675 | 1,405,971 | 372,765 | 1,312,044 | +10.2% | +7.2% |
| Operating profit | 54,963 | 210,318 | 50,898 | 211,294 | +8.0% | -0.5% |
| % of sales | 13.4% | 15.0% | 13.7% | 16.1% | - | - |
| Industry and Others | | | | | | |
| External customers | 86,411 | 323,434 | 94,804 | 334,298 | -8.9% | -3.2% |
| Intersegment | 20,357 | 84,406 | 19,226 | 86,565 | +5.9% | -2.5% |
| Total sales | 106,768 | 407,840 | 114,030 | 420,863 | -6.4% | -3.1% |
| Operating profit | (9,450) | 5,910 | 3,777 | 24,300 | - | -75.7% |
| % of sales | -8.9% | 1.4% | 3.3% | 5.8% | - | - |
| Corporate and Eliminations | | | | | | |
| External customers | - | - | - | - | - | - |
| Intersegment | (22,372) | (91,598) | (20,379) | (93,417) | - | - |
| Total sales | (22,372) | (91,598) | (20,379) | (93,417) | - | - |
| Operating profit | (19,081) | (95,950) | (28,659) | (116,788) | - | - |
| Consolidated | | | | | | |
| External customers | 951,394 | 3,479,788 | 964,757 | 3,557,433 | -1.4% | -2.2% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 951,394 | 3,479,788 | 964,757 | 3,557,433 | -1.4% | -2.2% |
| Operating profit | 77,704 | 323,856 | 94,610 | 378,071 | -17.9% | -14.3% |
| % of sales | 8.2% | 9.3% | 9.8% | 10.6% | - | - |

4. OTHER INCOME / DEDUCTIONS (2012)

| | 2012 | | 2011 | | (Millions of yen) | |
|--|-------------|--------|-------------|---------|-----------------------|---------|
| | | | | | Change year over year | |
| | 4th quarter | Year | 4th quarter | Year | 4th quarter | Year |
| Interest and dividend, net | 1,194 | 5,770 | 2,455 | 7,444 | (1,261) | (1,674) |
| Forex gain (loss) | 10,477 | 9,130 | 2,372 | (3,287) | +8,105 | +12,417 |
| Equity earnings (loss) of affiliated companies | (64) | 610 | (1,714) | (7,368) | +1,650 | +7,978 |
| Other, net | (203) | 3,191 | (5,123) | (336) | +4,920 | +3,527 |
| Total | 11,404 | 18,701 | (2,010) | (3,547) | +13,414 | +22,248 |

5. SEGMENT INFORMATION BY BUSINESS UNIT (2013/Projection)

| | (Millions of yen) | | |
|-----------------------------------|-------------------|-----------|-----------------------|
| | 2013 (P) | 2012 | Change year over year |
| | Year | Year | Year |
| Office | | | |
| External customers | 1,885,900 | 1,751,960 | +7.6% |
| Intersegment | 7,200 | 5,615 | +28.2% |
| Total sales | 1,893,100 | 1,757,575 | +7.7% |
| Operating profit | 227,200 | 203,578 | +11.6% |
| % of sales | 12.0% | 11.6% | - |
| Imaging System | | | |
| External customers | 1,578,000 | 1,404,394 | +12.4% |
| Intersegment | 1,100 | 1,577 | -30.2% |
| Total sales | 1,579,100 | 1,405,971 | +12.3% |
| Operating profit | 285,000 | 210,318 | +35.5% |
| % of sales | 18.0% | 15.0% | - |
| Industry and Others | | | |
| External customers | 346,100 | 323,434 | +7.0% |
| Intersegment | 94,700 | 84,406 | +12.2% |
| Total sales | 440,800 | 407,840 | +8.1% |
| Operating profit | (7,600) | 5,910 | - |
| % of sales | -1.7% | 1.4% | - |
| Corporate and Eliminations | | | |
| External customers | - | - | - |
| Intersegment | (103,000) | (91,598) | - |
| Total sales | (103,000) | (91,598) | - |
| Operating profit | (94,600) | (95,950) | - |
| Consolidated | | | |
| External customers | 3,810,000 | 3,479,788 | +9.5% |
| Intersegment | - | - | - |
| Total sales | 3,810,000 | 3,479,788 | +9.5% |
| Operating profit | 410,000 | 323,856 | +26.6% |
| % of sales | 10.8% | 9.3% | - |

(P)=Projection

6. OTHER INCOME / DEDUCTIONS (2013/Projection)

| | (Millions of yen) | | |
|--|-------------------|--------|-----------------------|
| | 2013 (P) | 2012 | Change year over year |
| | Year | Year | Year |
| Interest and dividend, net | 4,000 | 5,770 | (1,770) |
| Forex gain (loss) | (11,500) | 9,130 | (20,630) |
| Equity earnings (loss) of affiliated companies | 1,100 | 610 | +490 |
| Other, net | (3,600) | 3,191 | (6,791) |
| Total | (10,000) | 18,701 | (28,701) |

(P)=Projection

7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2013 (P) | 2012 | | 2011 | |
|----------------------------|----------|-------------|------|-------------|------|
| | Year | 4th quarter | Year | 4th quarter | Year |
| Office | | | | | |
| Monochrome copiers | 16% | 16% | 16% | 15% | 15% |
| Color copiers | 19% | 20% | 19% | 19% | 17% |
| Printers | 43% | 43% | 44% | 46% | 48% |
| Others | 22% | 21% | 21% | 20% | 20% |
| Imaging System | | | | | |
| Cameras | 72% | 68% | 70% | 71% | 71% |
| Inkjet printers | 22% | 25% | 22% | 24% | 24% |
| Others | 6% | 7% | 8% | 5% | 5% |
| Industry and Others | | | | | |
| Lithography equipment | 17% | 8% | 15% | 26% | 19% |
| Others | 83% | 92% | 85% | 74% | 81% |

(P)=Projection

8. SALES GROWTH IN LOCAL CURRENCY

| | 2013 (P) | 2012 | |
|----------------------------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| Office | | | |
| Japan | - | -3.2% | +1.8% |
| Overseas | - | -13.3% | -8.6% |
| Total | +2.2% | -11.2% | -6.6% |
| Imaging System | | | |
| Japan | - | +20.8% | +13.9% |
| Overseas | - | +4.3% | +8.2% |
| Total | +5.3% | +7.0% | +9.0% |
| Industry and Others | | | |
| Japan | - | -28.7% | -4.6% |
| Overseas | - | +5.3% | -1.7% |
| Total | +6.5% | -7.3% | -2.9% |
| Total | | | |
| Japan | +3.9% | -1.3% | +3.7% |
| Overseas | +3.6% | -4.9% | -1.5% |
| Americas | +3.0% | -7.5% | -2.7% |
| Europe | +2.0% | -2.1% | -2.8% |
| Asia and Oceania | +6.3% | -5.4% | +1.6% |
| Total | +3.7% | -4.1% | -0.5% |

(P)=Projection

9. PROFITABILITY

| | 2013 (P) | 2012 | 2011 |
|--------|----------|------|------|
| | Year | Year | Year |
| ROE *1 | 9.7% | 8.7% | 9.6% |
| ROA *2 | 6.4% | 5.7% | 6.3% |

(P)=Projection

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

*2 Based on Net Income attributable to Canon Inc.

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

| | 2013 (P) | 2012 | 2011 |
|----------|----------|-------------|--------|
| | Year | 4th quarter | Year |
| Yen/US\$ | 85.00 | 81.26 | 79.96 |
| Yen/Euro | 115.00 | 105.31 | 102.80 |

4th
quarter

Year

77.40

104.22

79.55

110.72

(P)=Projection

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

| | 2013 (P) | 2012 |
|------------------|----------|-------------|
| | Year | 4th quarter |
| US\$ | +83.6 | +17.3 |
| Euro | +102.2 | +2.4 |
| Other currencies | +17.1 | +5.1 |
| Total | +202.9 | +24.8 |

(Billions of yen)

2012

Year

+9.5

(69.2)

+5.4

(54.3)

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | 2013 (P) |
|---------------------|----------|
| | Year |
| On sales | |
| US\$ | 19.7 |
| Euro | 8.6 |
| On operating profit | |
| US\$ | 7.7 |
| Euro | 4.6 |

(Billions of yen)

2013 (P)

Year

(P)=Projection

11. STATEMENTS OF CASH FLOWS

| | 2013 (P) | 2012 | 2011 |
|--|-----------|-------------|-----------|
| | Year | 4th quarter | Year |
| Net cash provided by operating activities | 455,000 | 118,262 | 384,077 |
| Net cash used in investing activities | (325,000) | (57,707) | (212,740) |
| Free cash flow | 130,000 | 60,555 | 171,337 |
| Net cash used in financing activities | (150,000) | (6,629) | (319,739) |
| Effect of exchange rate changes on cash and cash equivalents | (6,700) | 45,142 | 41,853 |
| Net change in cash and cash equivalents | (26,700) | 99,068 | (106,549) |
| Cash and cash equivalents at end of period | 640,000 | 666,678 | 666,678 |

(Millions of yen)

2011

Year

469,562

(256,543)

213,019

(257,513)

(22,858)

(67,352)

773,227

(P)=Projection

12. R&D EXPENDITURE

| | (Millions of yen) | | |
|----------------------------|-------------------|---------|---------|
| | 2013 (P) | 2012 | 2011 |
| | Year | Year | Year |
| Office | - | 99,484 | 103,378 |
| Imaging System | - | 83,948 | 82,731 |
| Industry and Others | - | 25,635 | 27,061 |
| Corporate and Eliminations | - | 87,397 | 94,630 |
| Total | 315,000 | 296,464 | 307,800 |
| % of sales | 8.3% | 8.5% | 8.7% |

(P)=Projection

13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

| | (Millions of yen) | | |
|--------------------------------------|-------------------|---------|---------|
| | 2013 (P) | 2012 | 2011 |
| | Year | Year | Year |
| Increase in PP&E | | | |
| Office | - | 54,932 | 48,729 |
| Imaging System | - | 55,623 | 46,091 |
| Industry and Others | - | 42,288 | 36,582 |
| Corporate and Eliminations | - | 117,614 | 95,467 |
| Total | 265,000 | 270,457 | 226,869 |
| Depreciation and amortization | | | |
| Office | - | 77,660 | 93,196 |
| Imaging System | - | 53,664 | 45,609 |
| Industry and Others | - | 34,264 | 29,685 |
| Corporate and Eliminations | - | 92,545 | 92,853 |
| Total | 270,000 | 258,133 | 261,343 |

(P)=Projection

14. INVENTORIES**(1) Inventories**

| | (Millions of yen) | | |
|---------------------|-------------------|---------|------------|
| | 2012 | 2011 | Difference |
| | Dec.31 | Dec.31 | |
| Office | 201,661 | 207,690 | (6,029) |
| Imaging System | 245,973 | 148,954 | +97,019 |
| Industry and Others | 103,989 | 120,060 | (16,071) |
| Total | 551,623 | 476,704 | +74,919 |

(2) Inventories/Sales*

| | (Days) | | |
|---------------------|--------|--------|------------|
| | 2012 | 2011 | Difference |
| | Dec.31 | Dec.31 | |
| Office | 43 | 39 | +4 |
| Imaging System | 61 | 38 | +23 |
| Industry and Others | 124 | 115 | +9 |
| Total | 57 | 46 | +11 |

*Index based on the previous six months sales.

15. DEBT RATIO

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

16. OVERSEAS PRODUCTION RATIO

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

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17. NUMBER OF EMPLOYEES

| | 2012 Dec.31 | 2011 Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan | 70,234 | 70,346 | (112) |
| Overseas | 126,734 | 127,961 | (1,227) |
| Total | 196,968 | 198,307 | (1,339) |

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