

CANON INC
Form 6-K
July 25, 2014

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

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

For the month of **July**, **2014**,

CANON INC.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

SIGNATURES

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

CANON INC.
(Registrant)

Date . **July 25, 2014**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama
General Manager
Consolidated Accounting Div.
Canon Inc.

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

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2014

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND**THE FIRST HALF ENDED JUNE 30, 2014**

July 24, 2014

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

			Actual			
	Three months ended June 30, 2014	Three months ended June 30, 2013	Change(%)		Three months ended June 30, 2014	
Net sales	¥ 926,796	¥ 966,880	-	4.1	\$ 9,176,198	
Operating profit	110,549	98,354	+	12.4	1,094,545	
Income before income taxes	116,975	98,868	+	18.3	1,158,168	
Net income attributable to Canon Inc.	¥ 80,848	¥ 66,496	+	21.6	\$ 800,475	

Net income attributable to Canon Inc. stockholders per share:

- Basic	¥ 72.61	¥ 57.68	+	25.9	\$ 0.72	
- Diluted	72.61	57.68	+	25.9	0.72	

CONSOLIDATED RESULTS FOR THE FIRST HALF

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

			Actual		Projected		
	Six months ended June 30, 2014	Six months ended June 30, 2013	Change(%)		Six months ended June 30, 2014	Year ending December 31, 2014	Change(%)
Net sales	¥ 1,795,108	¥ 1,783,533	+	0.6	\$ 17,773,347	¥ 3,780,000	+ 1.3
Operating profit	193,188	153,127	+	26.2	1,912,752	365,000	+ 8.2
Income before income taxes	196,166	159,123	+	23.3	1,942,238	370,000	+ 6.4
	¥ 128,458	¥ 107,409	+	19.6	\$ 1,271,861	¥ 240,000	+ 4.1

**Net income attributable
to Canon Inc.**

Net income attributable to Canon Inc. stockholders per share:

- Basic	¥	114.47	¥	93.17	+	22.9	\$	1.13	¥	215.31	+	7.2
- Diluted		114.47		93.17	+	22.9		1.13		-		-

	As of June 30, 2014	Actual As of December 31, 2013	Change(%)	As of June 30, 2014
Total assets	¥ 4,093,780	¥ 4,242,710	- 3.5	\$ 40,532,475
Canon Inc. stockholders equity	¥ 2,827,052	¥ 2,910,262	- 2.9	\$ 27,990,614

- 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 JPY101=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2014, 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

2014 Second Quarter in Review

Looking back at the global economy in the second quarter of 2014, in the United States, although the economy has recovered steadily from the impact of the major cold wave that struck the country at the beginning of the year, the improvement has yet to stimulate consumer spending. In Europe, although uncertainty remained due to the political unrest in Ukraine, Germany and the U.K. have realized moderate economic recoveries. China and other emerging countries faced modest economic growth. As for Japan, the economy experienced a rebound following the rush in demand leading up to the hike in the country's consumption tax. As a result, the growth of global economy overall during the second quarter continued to be sluggish.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) and laser printers maintained steady growth. Demand for interchangeable-lens digital cameras decreased in Japan as a result of the rebound in the wake of the rush in demand prior to the consumption tax increase, while demand overseas showed signs of recovery in China. As for digital compact cameras, demand continued to shrink in both developed countries as well as emerging markets. Looking at the overall market for inkjet printers, demand decreased from the previous year. In the industry and others sector, a rebound in capital investment for both image sensors and memory devices led to a pickup in demand for semiconductor lithography equipment, while demand for lithography equipment used in the production of FPD recovered for large-size panels.

The average values of the yen during the second quarter and first half of the year were ¥102.13 and ¥102.40 to the U.S. dollar, respectively, year-on-year depreciations of approximately ¥3 and ¥6, and ¥139.94 and ¥140.35 to the euro, respectively, year-on-year depreciations of approximately ¥11 and ¥14.

During the second quarter, sales of MFDs remained firm while sales in the industrial equipment increased significantly. Conversely, demand for digital compact cameras continued to shrink while net sales of inkjet printers decreased owing to the increase in consumption tax in Japan. Consequently, second-quarter net sales decreased 4.1% year on year to ¥926.8 billion (U.S.\$9,176 million), while net sales for the six months ended June 30, 2014 totaled ¥1,795.1 billion (U.S.\$17,773 million), a year-on-year increase of 0.6% owing to the sales increase in the first quarter. The gross profit ratio for the second quarter rose 2.8 points year on year to 52.2% thanks to the production shift to highly profitable high-added-value products and improvement of factory utilization by optimizing production along with the depreciation of the yen. The gross profit ratio for the first half of the year also increased by 2.6 points to 51.0%. Despite an increase in foreign-currency-denominated operating expenses due to the depreciation of the yen, Group-wide efforts to thoroughly reduce spending contributed to reduce operating expenses to ¥373.0 billion (U.S.\$3,693 million), a decrease of 1.6% year on year. As a result, operating profit increased by 12.4% to ¥110.5 billion (U.S.\$1,095 million). Other income increased by ¥5.9 billion (U.S.\$59 million) due to foreign currency exchange gains while income before income taxes increased by 18.3% year on year to ¥117.0 billion (U.S.\$1,158 million). Net income attributable to Canon Inc. increased by 21.6% to ¥80.8 billion (U.S.\$800 million). Operating profit for the first half of the year increased by 26.2% to ¥193.2 billion (U.S.\$1,913 million) while income before income taxes increased 23.3% year on year to ¥196.2 billion (U.S.\$1,942 million). First-half net income attributable to Canon Inc. increased by 19.6% to ¥128.5 billion (U.S.\$1,272 million).

Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥72.61 (U.S.\$0.72), an increase of ¥14.93 (U.S.\$0.15) compared with the corresponding quarter of the previous year, and ¥114.47 (U.S.\$1.13) for the first half, a year-on-year increase of ¥21.30 (U.S.\$0.21).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, sales of the color office MFDs, remained the same level as the year-ago period led by the healthy growth of imageRUNNER ADVANCE C5200 series. As for high-speed continuous-feed printers and wide-format printers, sales of the Océ ColorStream 3000 series showed solid growth. Among laser printers, although the sales of monochrome model remained sluggish, color multifunction models recorded growth. As a result, sales for the business unit totaled ¥522.5 billion (U.S.\$5,173 million), a year-on-year increase of 0.5%, while operating profit totaled ¥88.1 billion (U.S.\$872 million), increasing 15.7%. Sales for the combined first six months of the year totaled ¥1,031.7 billion (U.S.\$10,215 million), growing 4.8% year on year, while operating profit increased by 17.8% to ¥160.6 billion (U.S.\$1,590 million).

Within the Imaging System Business Unit, although sales volume of interchangeable-lens digital cameras declined owing to the shrinking market in Japan and other markets in Japan as a result of the rebound following the rush in demand prior to the consumption tax increase the advanced-amateur-model EOS 70D realized healthy growth, enabling Canon to maintain the top share in major markets such as Europe, the U.S. and Japan. As for digital compact cameras, despite a decline in total sales volume due to the contraction of the market and the increasing popularity of smartphones, sales of high-added-value models featuring high image quality and high-magnification zoom capabilities recorded solid growth, maintaining high market shares. As for inkjet printers, while sales volume declined from the same period of the previous year owing to the market contraction in Japan caused by the rebound in the wake of the rush in demand leading up to the consumption tax hike, sales of consumables remained at the same level as the previous year. As a result, sales for the business unit decreased by 13.9% to ¥332.4 billion (U.S.\$3,291 million) year on year, while operating profit totaled ¥51.0 billion (U.S.\$505 million), a decrease of 9.4%. Sales for the first six months totaled ¥625.2 billion (U.S.\$6,190 million), decreasing 8.6% year on year, while operating profit totaled ¥93.0 billion (U.S.\$921 million), an increase of 9.7% year on year.

In the Industry and Others Business Unit, with regard to the semiconductor lithography equipment, ongoing investment by memory device manufactures in response to healthy growing demand for smartphones and tablets led to increased second-quarter unit sales of lithography equipment while a recovery in investment for large-size panels, which had been restricted until now, boosted unit sales of FPD lithography equipment. Consequently, second-quarter sales for the business unit totaled ¥95.3 billion (U.S.\$944 million), an increase of 10.9% year on year, while operating profit recorded a loss of ¥2.5 billion (U.S.\$25 million) owing to the upfront investment, a improvement of ¥3.3 billion (U.S.\$33 million) from the year-ago period. Sales for the first half of the year totaled ¥185.1 billion (U.S.\$1,833 million), growing 15.0% year on year, while operating profit posted a loss of ¥10.1 billion (U.S.\$100 million).

Cash Flow

During the first half of 2014, cash flow from operating activities totaled ¥294.5 billion (U.S.\$2,916 million), an increase of ¥76.6 billion (U.S.\$758 million) compared with the previous year owing to the increase in profit. Although capital investment focused on new products, cash flow from investing activities increased ¥2.8 billion (U.S.\$28 million) year on year to ¥142.1 billion (U.S.\$1,407 million) as a result of an increase in the amount of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥152.4 billion (U.S.\$1,509 million), an increase of ¥73.8 billion (U.S.\$730 million) compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥176.4 billion (U.S.\$1,746 million), mainly arising from the dividend payout and the repurchasing of treasury stock.

Owing to these factors, as well as the impact of foreign currency translation adjustments, cash and cash equivalents decreased by ¥44.2 billion (U.S.\$438 million) to ¥744.7 billion (U.S.\$7,373 million) from the end of the previous year.

Outlook

As for the outlook in the third quarter onward, there are signs of brightness among developed countries with the U.S. projected to realize steady economic growth and the European economy centering on Germany and the U.K. expected to continue its moderate recovery. Although uncertainties remain in China and other emerging countries, they are expected to continue to realize economic expansion. As for Japan, the economy has been recovering from the rebound following the increase in the consumption tax, and is projected to continue to realize healthy growth for the full year. The global economy is also expected to continue its moderate recovery.

In the businesses in which Canon is involved, demand for MFDs is projected to expand moderately, mainly for color models. Likewise, demand in the laser printer market is also expected to continue growing moderately, centered on multifunction models. As for interchangeable-lens digital cameras, while the demand remains unstable in Europe and Southeast Asia owing to the delayed economic recovery and political uncertainty, recovery is expected in the U.S. and Chinese market. Within the digital compact camera market, although projections point to market contraction, mainly among low-end models due to the popularity of smartphones, demand for high-added-value models featuring high image quality and high-magnification zoom capabilities, is expected to grow steadily. As for inkjet printers, the gradual recovery of the global economy is expected to bring an end to dwindling demand, with sales leveling off to remain in line with the previous year. As for the industrial equipment market, although the demand is expected to increase for semiconductor lithography equipment with manufacturers expected to continue making capital outlays amid growing demand projected for memory devices and sensors, as well as for FPDs owing to a stable supply-and-demand balance for panels, uncertainties remain in installment of certain equipment resulting from cautious forecast.

With regard to currency exchange rates for the third quarter onward, on which Canon's performance outlook is based, taking into account the uncertainties in the future, Canon anticipates exchange rates of ¥100 to the U.S. dollar and ¥135 to the euro, representing depreciations of approximately ¥3 against the U.S. dollar, and approximately ¥8 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration these foreign exchange rate assumptions and delay in the installment of semiconductor lithography equipment along with sluggish overseas camera market, Canon projects full-year consolidated net sales in 2014 of ¥3,780.0 billion (U.S.\$37,426 million), a year on year increase of 1.3%; operating profit of ¥365.0 billion (U.S.\$3,614 million), a year-on-year increase of 8.2%; income before income taxes of ¥370.0 billion (U.S.\$3,663 million), a year-on-year increase of 6.4%; and net income attributable to Canon Inc. of ¥240.0 billion (U.S.\$2,376 million), a year-on-year increase of 4.1%.

Consolidated Outlook

Fiscal year

Millions of yen

	Year ending December 31, 2014	Change	Year ended December 31, 2013	Change (%)
	Previous Outlook (A)	Revised Outlook (B)	Results (C)	(B - C) / C
		(B - A)		C

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Net sales	¥ 3,860,000	¥ 3,780,000	¥ (80,000)	¥ 3,731,380	+1.3%
Operating profit	365,000	365,000	-	337,277	+8.2%
Income before income taxes	370,000	370,000	-	347,604	+6.4%
Net income attributable to Canon Inc.	¥ 240,000	¥ 240,000	¥ -	¥ 230,483	+4.1%

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Basic Policy Regarding Profit Distribution

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

Canon Inc. plans to distribute an interim dividend of ¥65.00 (U.S.\$0.64) per share for the fiscal year 2014, half the amount of the annual dividend paid out in fiscal 2013, to provide a stable return to shareholders. The year-end dividend, however, has yet to be decided.

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	As of June 30, 2014	Millions of yen As of December 31, 2013	Change	Thousands of U.S. dollars As of June 30, 2014
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 744,684	¥ 788,909	¥ (44,225)	\$ 7,373,109
Short-term investments	77,007	47,914	29,093	762,446
Trade receivables, net	533,770	608,741	(74,971)	5,284,851
Inventories	533,445	553,773	(20,328)	5,281,634
Prepaid expenses and other current assets	288,154	286,605	1,549	2,853,010
Total current assets	2,177,060	2,285,942	(108,882)	21,555,050
Noncurrent receivables	29,533	19,276	10,257	292,406
Investments	57,795	70,358	(12,563)	572,228
Property, plant and equipment, net	1,243,881	1,278,730	(34,849)	12,315,653
Intangible assets, net	141,855	145,075	(3,220)	1,404,505
Other assets	443,656	443,329	327	4,392,633
Total assets	¥ 4,093,780	¥ 4,242,710	¥ (148,930)	\$ 40,532,475
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 993	¥ 1,299	¥ (306)	\$ 9,832
Trade payables	300,572	307,157	(6,585)	2,975,960
Accrued income taxes	61,601	53,196	8,405	609,911
Accrued expenses	284,242	315,536	(31,294)	2,814,277
Other current liabilities	163,528	171,119	(7,591)	1,619,089
Total current liabilities	810,936	848,307	(37,371)	8,029,069
Long-term debt, excluding current installments	1,164	1,448	(284)	11,525
Accrued pension and severance cost	203,463	229,664	(26,201)	2,014,485
Other noncurrent liabilities	92,358	96,514	(4,156)	914,436
Total liabilities	1,107,921	1,175,933	(68,012)	10,969,515

Equity:

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Canon Inc. stockholders' equity:				
Common stock	174,762	174,762	-	1,730,317
Additional paid-in capital	401,970	402,029	(59)	3,979,901
Legal reserve	63,837	63,091	746	632,050
Retained earnings	3,266,514	3,212,692	53,822	32,341,723
Accumulated other comprehensive income (loss)	(118,368)	(80,646)	(37,722)	(1,171,960)
Treasury stock, at cost	(961,663)	(861,666)	(99,997)	(9,521,417)
Total Canon Inc. stockholders' equity	2,827,052	2,910,262	(83,210)	27,990,614
Noncontrolling interests	158,807	156,515	2,292	1,572,346
Total equity	2,985,859	3,066,777	(80,918)	29,562,960
Total liabilities and equity	¥ 4,093,780	¥ 4,242,710	¥ (148,930)	\$ 40,532,475

	Millions of yen		Thousands of U.S. dollars
	As of June 30, 2014	As of December 31, 2013	As of June 30, 2014
Notes:			
1. Allowance for doubtful receivables	¥ 12,304	¥ 12,730	\$ 121,822
2. Accumulated depreciation	2,407,898	2,383,530	23,840,574
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(50,951)	1,734	(504,465)
Net unrealized gains and losses on securities	8,841	10,242	87,535
Net gains and losses on derivative instruments	609	(2,408)	6,030
Pension liability adjustments	(76,867)	(90,214)	(761,060)

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	Millions of yen			Change(%)	Thousands of
	Three months ended June 30, 2014	Three months ended June 30, 2013			U.S. dollars Three months ended June 30, 2014
Results for the second quarter					
Net sales	¥ 926,796	¥ 966,880	-	4.1	\$ 9,176,198
Cost of sales	443,286	489,522			4,388,970
Gross profit	483,510	477,358	+	1.3	4,787,228
Operating expenses:					
Selling, general and administrative expenses	296,074	301,359			2,931,426
Research and development expenses	76,887	77,645			761,257
	372,961	379,004			3,692,683
Operating profit	110,549	98,354	+	12.4	1,094,545
Other income (deductions):					
Interest and dividend income	2,313	1,705			22,901
Interest expense	(131)	(146)			(1,297)
Other, net	4,244	(1,045)			42,019
	6,426	514			63,623
Income before income taxes	116,975	98,868	+	18.3	1,158,168
Income taxes	34,567	30,242			342,247
Consolidated net income	82,408	68,626			815,921
Less: Net income attributable to noncontrolling interests	1,560	2,130			15,446
Net income attributable to Canon Inc.	¥ 80,848	¥ 66,496	+	21.6	\$ 800,475

	Millions of yen			Change(%)	Thousands of
	Six months ended	Six months ended			U.S. dollars Six months ended
Results for the first half					

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	June 30, 2014	June 30, 2013			June 30, 2014
Net sales	¥ 1,795,108	¥ 1,783,533	+	0.6	\$ 17,773,347
Cost of sales	880,116	920,262			8,714,020
Gross profit	914,992	863,271	+	6.0	9,059,327
Operating expenses:					
Selling, general and administrative expenses	570,099	558,983			5,644,545
Research and development expenses	151,705	151,161			1,502,030
	721,804	710,144			7,146,575
Operating profit	193,188	153,127	+	26.2	1,912,752
Other income (deductions):					
Interest and dividend income	3,917	2,741			38,782
Interest expense	(234)	(251)			(2,317)
Other, net	(705)	3,506			(6,979)
	2,978	5,996			29,486
Income before income taxes	196,166	159,123	+	23.3	1,942,238
Income taxes	63,180	48,770			625,545
Consolidated net income	132,986	110,353			1,316,693
Less: Net income attributable to noncontrolling interests	4,528	2,944			44,832
Net income attributable to Canon Inc.	¥ 128,458	¥ 107,409	+	19.6	\$ 1,271,861

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

Millions of yen

Results for the second quarter

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30, 2014	Three months ended June 30, 2013	Change(%)	Three months ended June 30, 2014
Consolidated net income	¥ 82,408	¥ 68,626	+ 20.1	\$ 815,921
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(20,254)	51,534		(200,535)
Net unrealized gains and losses on securities	(69)	1,029		(683)
Net gains and losses on derivative instruments	639	2,672		6,327
Pension liability adjustments	(576)	935		(5,703)
	(20,260)	56,170		(200,594)
Comprehensive income	62,148	124,796	- 50.2	615,327
Less: Comprehensive income attributable to noncontrolling interests	1,509	2,769		14,941
Comprehensive income attributable to Canon Inc.	¥ 60,639	¥ 122,027	- 50.3	\$ 600,386

Millions of yen

Results for the first half

	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2014	Six months ended June 30, 2013	Change(%)	Six months ended June 30, 2014
Consolidated net income	¥ 132,986	¥ 110,353	+ 20.5	\$ 1,316,693
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(52,990)	137,134		(524,653)
Net unrealized gains and losses on securities	(1,388)	2,155		(13,743)
Net gains and losses on derivative instruments	3,017	3,607		29,871
Pension liability adjustments	13,361	(81)		132,287
	(38,000)	142,815		(376,238)
Comprehensive income	94,986	253,168	- 62.5	940,455
Less: Comprehensive income attributable to noncontrolling interests	4,242	4,397		42,000

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Comprehensive income attributable to Canon Inc. ¥ **90,744** ¥ 248,771 - 63.5 \$ **898,455**

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALESResults for the second quarter

Sales by business unit	Millions of yen			Change(%)	Thousands of
	Three months ended June 30, 2014	Three months ended June 30, 2013			U.S. dollars Three months ended June 30, 2014
Office	¥ 522,493	¥ 520,032	+ 0.5	\$	5,173,198
Imaging System	332,387	386,013	- 13.9		3,290,960
Industry and Others	95,317	85,948	+ 10.9		943,733
Eliminations	(23,401)	(25,113)	-		(231,693)
Total	¥ 926,796	¥ 966,880	- 4.1	\$	9,176,198

Sales by region	Millions of yen			Change(%)	Thousands of
	Three months ended June 30, 2014	Three months ended June 30, 2013			U.S. dollars Three months ended June 30, 2014
Japan	¥ 164,554	¥ 175,654	- 6.3	\$	1,629,248
Overseas:					
<i>Americas</i>	253,170	282,082	- 10.2		2,506,634
<i>Europe</i>	272,348	295,944	- 8.0		2,696,515
<i>Asia and Oceania</i>	236,724	213,200	+ 11.0		2,343,801
	762,242	791,226	- 3.7		7,546,950
Total	¥ 926,796	¥ 966,880	- 4.1	\$	9,176,198

Results for the first half

Sales by business unit	Millions of yen			Change(%)	Thousands of
	Six months ended June 30, 2014	Six months ended June 30, 2013			U.S. dollars Six months ended June 30, 2014
Office	¥ 1,031,669	¥ 984,238	+ 4.8	\$	10,214,545
Imaging System	625,196	684,120	- 8.6		6,190,059
Industry and Others	185,087	161,015	+ 15.0		1,832,545
Eliminations	(46,844)	(45,840)	-		(463,802)

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from operating activities:			
Consolidated net income	¥ 132,986	¥ 110,353	\$ 1,316,693
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	123,515	131,653	1,222,921
Loss on disposal of fixed assets	5,442	4,386	53,881
Deferred income taxes	(316)	(339)	(3,129)
Decrease in trade receivables	60,413	71,357	598,149
Decrease in inventories	2,603	18,269	25,772
Increase (decrease) in trade payables	11,141	(55,633)	110,307
Increase (decrease) in accrued income taxes	8,851	(7,416)	87,634
Decrease in accrued expenses	(23,657)	(38,616)	(234,228)
Decrease in accrued (prepaid) pension and severance cost	(6,827)	(874)	(67,594)
Other, net	(19,664)	(15,251)	(194,693)
Net cash provided by operating activities	294,487	217,889	2,915,713
Cash flows from investing activities:			
Purchases of fixed assets	(112,613)	(119,809)	(1,114,980)
Proceeds from sale of fixed assets	2,487	1,062	24,624
Purchases of available-for-sale securities	(226)	(2,654)	(2,238)
Proceeds from sale and maturity of available-for-sale securities	51	3,141	505
Increase in time deposits, net	(31,044)	(15,745)	(307,366)
Acquisitions of subsidiaries, net of cash acquired	(11,301)	(4,914)	(111,891)
Purchases of other investments	-	(209)	-
Other, net	10,579	(138)	104,742
Net cash used in investing activities	(142,067)	(139,266)	(1,406,604)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	700	1,101	6,931
Repayments of long-term debt	(1,126)	(1,345)	(11,149)
Decrease in short-term loans, net	(48)	(563)	(475)
Dividends paid	(73,905)	(80,695)	(731,733)
Repurchases of treasury stock, net	(100,001)	13	(990,109)
Other, net	(2,007)	(3,865)	(19,871)

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Net cash used in financing activities	(176,387)	(85,354)	(1,746,406)
Effect of exchange rate changes on cash and cash equivalents	(20,258)	47,827	(200,574)
Net change in cash and cash equivalents	(44,225)	41,096	(437,871)
Cash and cash equivalents at beginning of period	788,909	666,678	7,810,980
Cash and cash equivalents at end of period	¥ 744,684	¥ 707,774	\$ 7,373,109

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

<u>Results for the second quarter</u>	Millions of yen		Change(%)	Thousands of
	Three months ended June 30, 2014	Three months ended June 30, 2013		U.S. dollars
				Three months ended June 30, 2014
Office				
Net sales:				
External customers	¥ 521,719	¥ 517,455	+ 0.8	\$ 5,165,535
Intersegment	774	2,577	- 70.0	7,663
Total	522,493	520,032	+ 0.5	5,173,198
Operating cost and expenses	434,374	443,840	- 2.1	4,300,733
Operating profit	¥ 88,119	¥ 76,192	+ 15.7	\$ 872,465
Imaging System				
Net sales:				
External customers	¥ 332,272	¥ 385,833	- 13.9	\$ 3,289,822
Intersegment	115	180	- 36.1	1,138
Total	332,387	386,013	- 13.9	3,290,960
Operating cost and expenses	281,425	329,735	- 14.7	2,786,386
Operating profit	¥ 50,962	¥ 56,278	- 9.4	\$ 504,574
Industry and Others				
Net sales:				
External customers	¥ 72,805	¥ 63,592	+ 14.5	\$ 720,841
Intersegment	22,512	22,356	+ 0.7	222,892
Total	95,317	85,948	+ 10.9	943,733

Operating cost and expenses	97,804	91,778	+	6.6	968,357
Operating profit	¥ (2,487)	¥ (5,830)		-	\$ (24,624)
Corporate and Eliminations					
Net sales:					
External customers	¥ -	¥ -		-	\$ -
Intersegment	(23,401)	(25,113)		-	(231,693)
Total	(23,401)	(25,113)		-	(231,693)
Operating cost and expenses	2,644	3,173		-	26,177
Operating profit	¥ (26,045)	¥ (28,286)		-	\$ (257,870)
Consolidated					
Net sales:					
External customers	¥926,796	¥ 966,880		- 4.1	\$ 9,176,198
Intersegment	-	-		-	-
Total	926,796	966,880		- 4.1	9,176,198
Operating cost and expenses	816,247	868,526		- 6.0	8,081,653
Operating profit	¥ 110,549	¥ 98,354		+ 12.4	\$ 1,094,545

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

<u>Results for the first half</u>	Millions of yen			Thousands of
	Six months ended June 30, 2014	Six months ended June 30, 2013	Change(%)	U.S. dollars Six months ended June 30, 2014
Office				
Net sales:				
External customers	¥ 1,029,818	¥ 979,585	+ 5.1	\$ 10,196,218
Intersegment	1,851	4,653	- 60.2	18,327
Total	1,031,669	984,238	+ 4.8	10,214,545
Operating cost and expenses	871,093	847,975	+ 2.7	8,624,684
Operating profit	¥ 160,576	¥ 136,263	+ 17.8	\$ 1,589,861
Imaging System				
Net sales:				
External customers	¥ 624,885	¥ 683,760	- 8.6	\$ 6,186,980
Intersegment	311	360	- 13.6	3,079
Total	625,196	684,120	- 8.6	6,190,059
Operating cost and expenses	532,208	599,361	- 11.2	5,269,386
Operating profit	¥ 92,988	¥ 84,759	+ 9.7	\$ 920,673
Industry and Others				
Net sales:				
External customers	¥ 140,405	¥ 120,188	+ 16.8	\$ 1,390,149
Intersegment	44,682	40,827	+ 9.4	442,396
Total	185,087	161,015	+ 15.0	1,832,545
Operating cost and expenses	195,195	174,381	+ 11.9	1,932,624
Operating profit	¥ (10,108)	¥ (13,366)	-	\$ (100,079)
Corporate and Eliminations				
Net sales:				
External customers	¥ -	¥ -	-	\$ -
Intersegment	(46,844)	(45,840)	-	(463,802)

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Total	(46,844)	(45,840)	-		(463,802)
Operating cost and expenses	3,424	8,689	-		33,901
Operating profit	¥ (50,268)	¥ (54,529)	-		\$ (497,703)
Consolidated					
Net sales:					
External customers	¥1,795,108	¥ 1,783,533	+	0.6	\$ 17,773,347
Intersegment	-	-		-	-
Total	1,795,108	1,783,533	+	0.6	17,773,347
Operating cost and expenses	1,601,920	1,630,406	-	1.7	15,860,595
Operating profit	¥ 193,188	¥ 153,127	+	26.2	\$ 1,912,752

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

<u>Results for the second quarter</u>	Millions of yen			Thousands of U.S. dollars	
	Three months ended June 30, 2014	Three months ended June 30, 2013	Change(%)		Three months ended June 30, 2014
Japan					
Net sales:					
External customers	¥ 212,549	¥ 187,085	+	13.6	\$ 2,104,446
Intersegment	430,486	473,150	-	9.0	4,262,237
Total	643,035	660,235	-	2.6	6,366,683
Operating cost and expenses	531,906	563,567	-	5.6	5,266,396
Operating profit	¥ 111,129	¥ 96,668	+	15.0	\$ 1,100,287
Americas					
Net sales:					
External customers	¥ 252,634	¥ 281,609	-	10.3	\$ 2,501,327
Intersegment	1,808	4,067	-	55.5	17,901
Total	254,442	285,676	-	10.9	2,519,228
Operating cost and expenses	250,214	277,724	-	9.9	2,477,367
Operating profit	¥ 4,228	¥ 7,952	-	46.8	\$ 41,861
Europe					
Net sales:					
External customers	¥ 272,004	¥ 296,132	-	8.1	\$ 2,693,109
Intersegment	14,517	14,370	+	1.0	143,733
Total	286,521	310,502	-	7.7	2,836,842
Operating cost and expenses	286,152	311,449	-	8.1	2,833,188
Operating profit	¥ 369	¥ (947)	-		\$ 3,654

Asia and Oceania

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Net sales:					
External customers	¥ 189,609	¥ 202,054	-	6.2	\$ 1,877,316
Intersegment	196,288	227,645	-	13.8	1,943,446
Total	385,897	429,699	-	10.2	3,820,762
Operating cost and expenses	369,843	414,334	-	10.7	3,661,812
Operating profit	¥ 16,054	¥ 15,365	+	4.5	\$ 158,950

Corporate and Eliminations

Net sales:					
External customers	¥ -	¥ -	-	-	\$ -
Intersegment	(643,099)	(719,232)	-	-	(6,367,317)
Total	(643,099)	(719,232)	-	-	(6,367,317)
Operating cost and expenses	(621,868)	(698,548)	-	-	(6,157,110)
Operating profit	¥ (21,231)	¥ (20,684)	-	-	\$ (210,207)

Consolidated

Net sales:					
External customers	¥ 926,796	¥ 966,880	-	4.1	\$ 9,176,198
Intersegment	-	-	-	-	-
Total	926,796	966,880	-	4.1	9,176,198
Operating cost and expenses	816,247	868,526	-	6.0	8,081,653
Operating profit	¥ 110,549	¥ 98,354	+	12.4	\$ 1,094,545

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

<u>Results for the first half</u>	Millions of yen			Change(%)	Thousands of
	Six months ended June 30, 2014	Six months ended June 30, 2013			U.S. dollars Six months ended June 30, 2014
Japan					
Net sales:					
External customers	¥ 421,194	¥ 358,959	+ 17.3		\$ 4,170,238
Intersegment	837,577	898,876	- 6.8		8,292,841
Total	1,258,771	1,257,835	+ 0.1		12,463,079
Operating cost and expenses	1,070,703	1,097,394	- 2.4		10,601,020
Operating profit	¥ 188,068	¥ 160,441	+ 17.2		\$ 1,862,059
Americas					
Net sales:					
External customers	¥ 480,834	¥ 510,984	- 5.9		\$ 4,760,733
Intersegment	2,501	6,645	- 62.4		24,762
Total	483,335	517,629	- 6.6		4,785,495
Operating cost and expenses	474,539	506,351	- 6.3		4,698,406
Operating profit	¥ 8,796	¥ 11,278	- 22.0		\$ 87,089
Europe					
Net sales:					
External customers	¥ 533,577	¥ 542,861	- 1.7		\$ 5,282,941
Intersegment	25,993	26,101	- 0.4		257,356
Total	559,570	568,962	- 1.7		5,540,297
Operating cost and expenses	554,170	575,923	- 3.8		5,486,832
Operating profit	¥ 5,400	¥ (6,961)	-		\$ 53,465
Asia and Oceania					
Net sales:					
External customers	¥ 359,503	¥ 370,729	- 3.0		\$ 3,559,435
Intersegment	387,922	418,173	- 7.2		3,840,813

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Total	747,425	788,902	-	5.3	7,400,248
Operating cost and expenses	714,483	759,348	-	5.9	7,074,090
Operating profit	¥ 32,942	¥ 29,554	+	11.5	\$ 326,158

Corporate and Eliminations

Net sales:

External customers	¥ -	¥ -	-		\$ -
Intersegment	(1,253,993)	(1,349,795)	-		(12,415,772)
Total	(1,253,993)	(1,349,795)	-		(12,415,772)
Operating cost and expenses	(1,211,975)	(1,308,610)	-		(11,999,753)
Operating profit	¥ (42,018)	¥ (41,185)	-		\$ (416,019)

Consolidated

Net sales:

External customers	¥ 1,795,108	¥ 1,783,533	+	0.6	\$ 17,773,347
Intersegment	-	-	-		-
Total	1,795,108	1,783,533	+	0.6	17,773,347
Operating cost and expenses	1,601,920	1,630,406	-	1.7	15,860,595
Operating profit	¥ 193,188	¥ 153,127	+	26.2	\$ 1,912,752

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

	June 30, 2014	December 31, 2013	Change
Subsidiaries	253	257	(4)
Affiliates	10	11	(1)
Total	263	268	(5)

2. Change in Group Entities

Subsidiaries	
Addition:	5 companies
Removal:	9 companies

Affiliates (Carried at Equity Basis)	
Removal:	1 company

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.

July 24, 2014

CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER

AND THE FIRST HALF ENDED JUNE 30, 2014

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

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(Millions of yen)

Change year over year

	2014			2013			Change year over year		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year	2nd quarter	1st half	Year
Japan									
Office Imaging System	94,670	196,690	-	95,105	185,639	368,308	-0.5%	+6.0%	-
Industry and Others	39,913	93,256	-	47,590	87,684	215,970	-16.1%	+6.4%	-
Total	29,971	66,321	-	32,959	62,049	131,585	-9.1%	+6.9%	-
	164,554	356,267	761,500	175,654	335,372	715,863	-6.3%	+6.2%	+6.4%
Overseas									
Office Imaging System	427,049	833,128	-	422,350	793,946	1,625,590	+1.1%	+4.9%	-
Industry and Others	292,359	531,629	-	338,243	596,076	1,232,216	-13.6%	-10.8%	-
Total	42,834	74,084	-	30,633	58,139	157,711	+39.8%	+27.4%	-
	762,242	1,438,841	3,018,500	791,226	1,448,161	3,015,517	-3.7%	-0.6%	+0.1%
Americas									
Office Imaging System	155,822	311,988	-	163,280	306,263	629,472	-4.6%	+1.9%	-
Industry and Others	90,473	156,370	-	109,143	188,617	392,373	-17.1%	-17.1%	-
Total	6,875	13,343	-	9,659	19,204	37,656	-28.8%	-30.5%	-
	253,170	481,701	1,031,000	282,082	514,084	1,059,501	-10.2%	-6.3%	-2.7%
Europe									
Office Imaging System	170,435	343,967	-	178,318	342,127	694,563	-4.4%	+0.5%	-
Industry and Others	94,597	176,148	-	111,750	189,320	404,390	-15.3%	-7.0%	-
Total	7,316	14,144	-	5,876	10,862	25,976	+24.5%	+30.2%	-
	272,348	534,259	1,114,100	295,944	542,309	1,124,929	-8.0%	-1.5%	-1.0%
Asia and Oceania									
Office Imaging System	100,792	177,173	-	80,752	145,556	301,555	+24.8%	+21.7%	-
Industry and Others	107,289	199,111	-	117,350	218,139	435,453	-8.6%	-8.7%	-
Total	28,643	46,597	-	15,098	28,073	94,079	+89.7%	+66.0%	-
	236,724	422,881	873,400	213,200	391,768	831,087	+11.0%	+7.9%	+5.1%
Intersegment									
Office Imaging System	774	1,851	-	2,577	4,653	6,175	-70.0%	-60.2%	-
Industry and Others	115	311	-	180	360	752	-36.1%	-13.6%	-
Eliminations	22,512	44,682	-	22,356	40,827	85,574	+0.7%	+9.4%	-
	(23,401)	(46,844)	-	(25,113)	(45,840)	(92,501)	-	-	-

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Total	0	0	0	0	0	0	-	-	-
Total									
Office	522,493	1,031,669	2,099,400	520,032	984,238	2,000,073	+0.5%	+4.8%	+5.0%
Imaging									
System	332,387	625,196	1,368,000	386,013	684,120	1,448,938	-13.9%	-8.6%	-5.6%
Industry and									
Others	95,317	185,087	404,400	85,948	161,015	374,870	+10.9%	+15.0%	+7.9%
Eliminations	(23,401)	(46,844)	(91,800)	(25,113)	(45,840)	(92,501)	-	-	-
Total	926,796	1,795,108	3,780,000	966,880	1,783,533	3,731,380	-4.1%	+0.6%	+1.3%

(P)=Projection

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Canon Inc.

2. SEGMENT INFORMATION BY BUSINESS UNIT

	2014			2013			(Millions of yen) Change year over year		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year	2nd quarter	1st half	Year
Office									
External customers	521,719	1,029,818	2,095,400	517,455	979,585	1,993,898	+0.8%	+5.1%	+5.1%
Intra-segment	774	1,851	4,000	2,577	4,653	6,175	-70.0%	-60.2%	-35.1%
Total sales	522,493	1,031,669	2,099,400	520,032	984,238	2,000,073	+0.5%	+4.8%	+5.1%
Operating profit	88,119	160,576	289,600	76,192	136,263	266,908	+15.7%	+17.8%	+8.1%
% of sales	16.9%	15.6%	13.8%	14.7%	13.8%	13.3%	-	-	-
Imaging									
External customers	332,272	624,885	1,367,200	385,833	683,760	1,448,186	-13.9%	-8.6%	-5.1%
Intra-segment	115	311	800	180	360	752	-36.1%	-13.6%	+6.1%
Total sales	332,387	625,196	1,368,000	386,013	684,120	1,448,938	-13.9%	-8.6%	-5.1%
Operating profit	50,962	92,988	207,900	56,278	84,759	203,794	-9.4%	+9.7%	+2.1%
% of sales	15.3%	14.9%	15.2%	14.6%	12.4%	14.1%	-	-	-
Industry and Others									
External customers	72,805	140,405	317,400	63,592	120,188	289,296	+14.5%	+16.8%	+9.1%
Intra-segment	22,512	44,682	87,000	22,356	40,827	85,574	+0.7%	+9.4%	+1.1%
Total sales	95,317	185,087	404,400	85,948	161,015	374,870	+10.9%	+15.0%	+7.9%
Operating profit	(2,487)	(10,108)	(28,800)	(5,830)	(13,366)	(25,331)	-	-	-
% of sales	-2.6%	-5.5%	-7.1%	-6.8%	-8.3%	-6.8%	-	-	-
Corporate									
Eliminations									
External customers	-	-	-	-	-	-	-	-	-
Intra-segment	(23,401)	(46,844)	(91,800)	(25,113)	(45,840)	(92,501)	-	-	-
Total sales	(23,401)	(46,844)	(91,800)	(25,113)	(45,840)	(92,501)	-	-	-
Operating profit	(26,045)	(50,268)	(103,700)	(28,286)	(54,529)	(108,094)	-	-	-
Consolidated									
External customers	926,796	1,795,108	3,780,000	966,880	1,783,533	3,731,380	-4.1%	+0.6%	+1.1%
Intra-segment	-	-	-	-	-	-	-	-	-
Total sales	926,796	1,795,108	3,780,000	966,880	1,783,533	3,731,380	-4.1%	+0.6%	+1.1%
Operating profit	110,549	193,188	365,000	98,354	153,127	337,277	+12.4%	+26.2%	+8.1%
% of sales	11.9%	10.8%	9.7%	10.2%	8.6%	9.0%	-	-	-

OTHER INCOME / DEDUCTIONS	2014			2013			Change year over year		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year	2nd quarter	1st half	Year
Interest and dividend, net	2,182	3,683	5,700	1,559	2,490	6,029	+623	+1,193	(3,300)
Foreign exchange gain (loss)	(1,848)	(7,655)	(10,300)	(5,326)	(2,144)	(1,992)	+3,478	(5,511)	(8,300)
Equity earnings (loss) of affiliated companies	119	212	400	211	125	(664)	(92)	+87	+1,000
Other, net	5,973	6,738	9,200	4,070	5,525	6,954	+1,903	+1,213	+2,200
Total	6,426	2,978	5,000	514	5,996	10,327	+5,912	(3,018)	(5,300)

(P)=Projected

(Millions of yen)

(P)=Projected

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4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

	2014			2013		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year
Office						
Monochrome copiers	16%	15%	16%	15%	16%	16%
Color copiers	19%	19%	20%	20%	19%	19%
Printers	43%	43%	41%	43%	43%	42%
Others	22%	23%	23%	22%	22%	23%
Imaging System						
Cameras	67%	64%	64%	70%	68%	67%
Inkjet printers	25%	27%	28%	23%	24%	25%
Others	8%	9%	8%	7%	8%	8%
Industry and Others						
Lithography equipment	28%	22%	22%	13%	11%	17%
Others	72%	78%	78%	87%	89%	83%

(P)=Projection

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

	2014		
	2nd quarter	1st half	Year (P)
Office			
Japan	-0.5%	+6.0%	-
Overseas	-3.3%	-2.8%	-
Total	-3.1%	-1.4%	+1.8%
Imaging System			
Japan	-16.1%	+6.4%	-
Overseas	-17.5%	-17.4%	-
Total	-17.4%	-14.4%	-8.4%
Industry and Others			
Japan	-9.1%	+6.9%	-
Overseas	+37.1%	+23.0%	-
Total	+9.9%	+13.3%	+7.2%
Total			
Japan	-6.3%	+6.2%	+6.4%
Overseas	-7.8%	-7.8%	-3.4%
Americas	-13.3%	-12.3%	-5.7%
Europe	-14.5%	-11.1%	-5.9%
Asia and Oceania	+8.7%	+2.8%	+2.8%
Total	-7.5%	-5.1%	-1.5%

(P)=Projection

6. PROFITABILITY

	2014		2013	
	1st half	Year (P)	1st half	Year
ROE *1	9.0%	8.3%	8.1%	8.4%
ROA *2	6.2%	5.7%	5.3%	5.6%

*1 Return on Equity ; Based on Net Income attributable to Canon Inc. and Total Canon Inc. (P)=Projection
Stockholders Equity

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

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

	2014				
	2nd quarter	1st half	2nd half (P)	Year (P)	2nd quarter
Yen/US\$	102.13	102.40	100.00	101.14	98.80
Yen/Euro	139.94	140.35	135.00	137.57	129.02

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

(Billions of yen)

	2014		
	2nd quarter	1st half	Year (P)
US\$	+7.2	+30.4	+28.5
Euro	+17.7	+45.4	+47.8
Other currencies	+1.8	+7.4	+6.2
Total	+26.7	+83.2	+82.5

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

	2014	
	2nd half (P)	
On sales		
US\$	8.4	
Euro	3.5	
On operating profit		
US\$	3.1	
Euro	1.7	

(P)=Projection

8. STATEMENTS OF CASH FLOWS

	2014			2013	
	2nd quarter	1st half	Year (P)	2nd quarter	1st half
Net cash provided by operating activities	162,233	294,487	525,000	162,475	217,889
Net cash used in investing activities	(85,592)	(142,067)	(290,000)	(65,863)	(139,266)
Free cash flow	76,641	152,420	235,000	96,612	78,623
Net cash used in financing activities	(50,643)	(176,387)	(245,300)	(1,293)	(85,354)
Effect of exchange rate changes on cash and cash equivalents	(8,405)	(20,258)	(28,600)	19,463	47,827
Net change in cash and cash equivalents	17,593	(44,225)	(38,900)	114,782	41,096
Cash and cash equivalents at end of period	744,684	744,684	750,000	707,774	707,774

(Mil)

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9. R&D**EXPENDITURE**

(Millions of yen)

	2014			2013		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year
Office	26,013	50,699	-	26,852	51,510	105,246
Imaging System	21,026	41,966	-	21,549	41,586	84,377
Industry and Others	6,549	12,743	-	6,335	12,149	25,701
Corporate and Eliminations	23,299	46,297	-	22,909	45,916	91,000
Total	76,887	151,705	305,000	77,645	151,161	306,324
% of sales	8.3%	8.5%	8.1%	8.0%	8.5%	8.2%

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

	2014			2013		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year
Increase in PP&E	46,963	85,017	205,000	45,015	95,808	188,826
Depreciation and amortization	62,163	123,515	265,000	67,313	131,653	275,173

(P)=Projection

11. INVENTORIES**(1) Inventories**

(Millions of yen)

	2014	2013	Difference
	Jun.30	Dec.31	
Office	216,919	227,413	(10,494)
Imaging System	208,439	221,368	(12,929)
Industry and Others	108,087	104,992	+3,095
Total	533,445	553,773	(20,328)

(2) Inventories/Sales*

(Days)

	2014	2013	Difference
	Jun.30	Dec.31	
Office	38	41	(3)
Imaging System	61	53	+8
Industry and Others	143	115	+28
Total	54	52	+2

*Index based on the previous six months sales.

12. DEBT RATIO

	2014	2013	Difference
	Jun.30	Dec.31	
Total debt / Total assets	0.1%	0.1%	0.0%

13. OVERSEAS PRODUCTION RATIO

	2014 1st half	2013 Year
Overseas production ratio	60%	57%

14. NUMBER OF EMPLOYEES

	2014 Jun.30	2013 Dec.31	Difference
Japan	70,005	69,825	+180
Overseas	124,123	124,326	(203)
Total	194,128	194,151	(23)

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