

CANON INC  
Form 6-K  
August 07, 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 **August**, **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 . **August 7, 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. Quarterly Report filed with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan For the second quarter ended June 30, 2014

[English summary with full translation of consolidated financial information]

**Quarterly Report filed with the Japanese government**  
**pursuant to**  
**the Financial Instruments and Exchange Law of Japan**

**For the second quarter ended**  
**June 30, 2014**

**CANON INC.**  
**Tokyo, Japan**

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Disclaimer Regarding Forward-Looking Statements

This quarterly report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) concerning Canon Inc. (the Company) and its subsidiaries (collectively Canon). To the extent that statements in this quarterly report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Canon in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Canon's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Canon undertakes no obligation to publicly update any forward-looking statements after the date of this quarterly report. Investors are advised to consult any further disclosures by Canon in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, foreign currency exchange rate fluctuations; the uncertainty of Canon's ability to implement its plans to localize production and other measures to reduce the impact of foreign currency exchange rate fluctuations; uncertainty as to economic conditions in Canon's major markets; uncertainty of continued demand for Canon's high-value-added products; Canon's ability to continue to develop products and to market products that incorporate new technology on a timely basis, are competitively priced, and achieve market acceptance; the possibility of losses resulting from foreign currency transactions designed to reduce financial risks from changes in foreign currency exchange rates; disasters, outages or similar events; and inventory risk due to disruptions in supply chains and shifts in market demand.

**I. Corporate Information****(1) Consolidated Financial Summary**

Millions of yen (except per share amounts)

	Six months ended	Six months ended	Three months ended	Three months ended	Year ended December 31,
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013
Net sales	1,795,108	1,783,533	926,796	966,880	3,731,380
Income before income taxes	196,166	159,123	116,975	98,868	347,604
Net income attributable to Canon Inc.	128,458	107,409	80,848	66,496	230,483
Comprehensive income	94,986	253,168	62,148	124,796	532,429
Canon Inc. stockholders' equity	-	-	2,827,052	2,690,371	2,910,262
Total equity	-	-	2,985,859	2,848,283	3,066,777
Total assets	-	-	4,093,780	4,109,526	4,242,710
Net income attributable to Canon Inc. stockholders per share:					
Basic (yen)	114.47	93.17	72.61	57.68	200.78
Diluted (yen)	114.47	93.17	72.61	57.68	200.78
Canon Inc. stockholders' equity to total assets (%)	-	-	69.1	65.5	68.6
Cash flows from operating activities	294,487	217,889	-	-	507,642
Cash flows from investing activities	(142,067)	(139,266)	-	-	(250,212)
Cash flows from financing activities	(176,387)	(85,354)	-	-	(222,181)
Cash and cash equivalents at end of period	-	-	744,684	707,774	788,909
Notes:					

1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. Consumption tax is excluded from the stated amount of net sales.

**(2) Description of Business**

Canon prepares quarterly consolidated financial statements in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ). Financial information presented in sections II. The Business is also in conformity with U.S.GAAP.

Canon (consisting of the Company, 253 consolidated subsidiaries and 10 affiliates accounted for using the equity method, collectively, the Group ) is engaged in the development, manufacture, sale and service primarily in the fields of office, imaging system, industry and others. No material change in Canon s business has occurred during the six months ended June 30, 2014.

No additions or removals of significant group entities have occurred during the six months ended June 30, 2014.

## II. The Business

### (1) Risk Factors

No material changes are recognized pursuant to the risk factors of Canon's business indicated in the Annual Securities Report (Yukashoken houkokusho) of the previous fiscal year.

### (2) Significant Business Contracts Entered into in the Second Quarter of Fiscal 2014

No material contracts were entered into during the three months ended June 30, 2014.

### (3) Operating Results

Looking back at the global economy in the first half 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, the economies of Germany and the U.K. have realized moderate recoveries. China and other emerging countries realized modest economic growth. As for Japan, the economy continued to grow gradually despite the rebound following the rush in demand leading up to the hike in the country's consumption tax. As a result, overall global economic growth during the first half continued to be sluggish.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) and laser printers remained firm. Demand for interchangeable-lens digital cameras decreased in Japan, due to the increase in the consumption tax, 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 declined 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.

[Second-quarter results]

During the second quarter, sales of MFDs remained firm while sales of 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. The gross profit ratio for the second quarter rose 2.8 points year on year to 52.2% thanks to a shift in production to highly profitable high-added-value products and improved factory utilization realized through optimized production, along with the depreciation of the yen. Despite an increase in foreign-currency-denominated operating expenses due to the weaker yen, Group-wide efforts to thoroughly reduce spending contributed to a 1.6% reduction in operating expenses year on year to ¥373.0 billion. As a result, operating profit increased by 12.4% to ¥110.5 billion. Other income (deductions) increased by ¥5.9 billion due to foreign currency exchange gains while income before income taxes increased by 18.3% year on year to ¥117.0 billion. Net income attributable to Canon Inc. increased by 21.6% to ¥80.8 billion.



Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥72.61, an increase of ¥14.93 compared with the corresponding quarter of the previous year.

**(3) Operating Results (continued)**

[First-half results]

During the first half, sales of MFDs remained firm while sales of industrial equipment increased significantly compared with those during the severe market conditions faced in the corresponding period of the previous year. Demand for digital compact cameras during the first six months of the year period continued to shrink. As for inkjet printers, despite solid growth in Japan owing to the rush in demand prior to the consumption tax hike, competition in overseas markets has intensified. Consequently, benefitting from the positive effects of favorable currency exchange rates, first-half net sales increased 0.6% year on year to ¥1,795.1 billion. The gross profit ratio for the first half rose 2.6 points to 51.0% from the year-ago period thanks to a shift in production to highly profitable high-added-value products and improved factory utilization through optimized production along with the depreciation of the yen. 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 limiting the increase in operating expenses to just ¥721.8 billion, an increase of 1.6% year on year for the first six months. Consequently, operating profit for the first half of the year increased by 26.2% to ¥193.2 billion. Other income decreased by ¥3.0 billion for the first half from the year-ago period due to foreign currency exchange gains while income before income taxes increased 23.3% year on year to ¥196.2 billion. First-half net income attributable to Canon Inc. increased by 19.6% to ¥128.5 billion due to the decrease in the tax rate because of the early repeal of the special reconstruction corporate tax.

Basic net income attributable to Canon Inc. stockholders per share for the first half was ¥114.47, a year-on-year increase of ¥21.30.

Looking at Canon's first-half performance by business unit, within the Office Business Unit, sales of color office MFDs, led by strong demand for the imageRUNNER ADVANCE C5200 series, remained at the same level as the year-ago period. As for high-speed continuous-feed printers and wide-format printers, sales of the Océ ColorStream 3000 series showed solid growth. Among laser printers, color multifunction models recorded healthy growth. As a result, in addition to the positive effects of favorable currency exchange rates, sales for the combined first six months of the year totaled ¥1,031.7 billion, a year-on-year increase of 4.8%, while operating profit totaled ¥160.6 billion, increasing 17.8%.

Within the Imaging System Business Unit, although sales volume of interchangeable-lens digital cameras declined owing to a delayed economic recovery, the advanced-amateur-model EOS 70D realized healthy growth, enabling Canon to maintain the top share in such major regional markets 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, sales of consumables remained at the same level. As a result, sales for the first six months totaled ¥625.2 billion, decreasing 8.6% year on year, while operating profit totaled ¥93.0 billion, an increase of 9.7% year on year.

In the Industry and Others Business Unit, with regard to semiconductor lithography equipment, ongoing investment by memory device manufacturers in response to healthy growing demand for smartphones and tablets led to increased first-half 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, sales for the first half of the year totaled ¥185.1 billion, growing 15.0% year on year, while operating profit posted a loss of ¥10.1 billion owing to Canon's upfront investment, an improvement of ¥3.3 billion from the year-ago period.

**(3) Operating Results (continued)**

First-half results by major geographic area are summarized as follows:

Japan

Despite fluctuations in demand prior to and following the consumption tax increase, net sales in Japan for the first half increased 0.1% from the year-ago period to ¥1,258.8 billion thanks to a steady recovery in overall demand. First-half operating profit increased 17.2% year on year to ¥188.1 billion.

Americas

Although the U.S. economy recovered gradually from the major cold wave, net sales for the first half decreased by 6.6% from the year-ago period to ¥483.3 billion owing to the delayed recovery in the interchangeable-lens digital camera market and the contraction of the digital compact camera market. Operating profit for the first half totaled ¥8.8 billion, a decrease of 22.0% year on year.

Europe

Although Germany and the U.K. have realized moderate economic recoveries, a turnaround in demand for office multifunction devices and interchangeable-lens digital cameras has been delayed. Therefore, net sales for the first half decreased by 1.7% from the same period of the previous year to ¥559.6 billion. Operating profit for the first half, however, totaled ¥5.4 billion owing to efforts to curtail spending.

Asia and Oceania

While there have been some signs of an economic recovery in China, a turnaround in demand for digital compact cameras and inkjet printers has been delayed. As a consequence, net sales decreased by 5.3% to ¥747.4 billion for the first six months. Operating profit for the first half, however, increased 11.5% to ¥32.9 billion thanks to cost savings.

**(3) Operating Results (continued)**

Cash Flows

During the first half of 2014, cash flow from operating activities totaled ¥294.5 billion, an increase of ¥76.6 billion compared with the previous year owing to the increase in profit and the change in trade receivables and trade payables. Although capital investment focused on new products, cash flow used in investing activities increased ¥2.8 billion year on year to ¥142.1 billion as a result of an increase in the amount of time deposits included in short-term investments. Accordingly, free cash flow for the first half totaled ¥152.4 billion, an increase of ¥73.8 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥176.4 billion, 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 to ¥744.7 billion from the end of the previous year.

Management Issues to be Addressed

No material changes or issues with respect to business operations and finances have occurred during the six months ended June 30, 2014.

Research and Development Expenditures

Canon's research and development expenditures for the six months ended June 30, 2014 totaled ¥151.7 billion.

Property, Plant and Equipment

(1) Major Property, Plant and Equipment

There were no significant changes to the status of existing major property, plant and equipment during the first half of 2014.

(2) Prospect of Capital Investment in the First Half of Fiscal 2014

There were no significant new constructions of property, plant and equipment that were in progress as of December 31, 2013 and completed during the first half of 2014.

There were no significant changes in the plans relevant to the retirement of property, plant and equipment during the first half of 2014. Moreover, there were no significant additional plans for new construction or retirement of property, plant and equipment during the first half of 2014.

**III. Company Information**

**(1) Shares**

Total number of authorized shares is 3,000,000,000 shares. The common stock of Canon is listed on the Tokyo, Nagoya, Fukuoka, Sapporo and New York Stock Exchanges. Total issued shares are as follows: