

CANON INC
Form 6-K
May 14, 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 **May**, **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 . **May 14, 2013**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama
General Manager
Consolidated Accounting Div.
Canon Inc.

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

The following materials are included.

1. Quarterly Report filed with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan For the first quarter ended March 31, 2013

[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 first quarter ended

March 31, 2013

CANON INC.

Tokyo, Japan

CONTENTS

	Page
I Corporate Information	
(1) Consolidated Financial Summary	2
(2) Description of Business	2
II The Business	
(1) Risk Factors	3
(2) Significant Business Contracts Entered into in the First Quarter of Fiscal 2013	3
(3) Operating Results	3
III Company Information	
(1) Shares	7
(2) Directors and Executive Officers	9
IV Financial Statements	
(1) Consolidated Financial Statements	10
(2) Other Information	36

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)

	Three months ended March 31, 2013	Three months ended March 31, 2012	Year ended December 31, 2012
Net sales	816,653	829,240	3,479,788
Income before income taxes	60,255	92,724	342,557
Net income attributable to Canon Inc.	40,913	61,538	224,564
Comprehensive income	128,372	133,927	351,778
Canon Inc. stockholders' equity	2,643,526	2,556,380	2,598,026
Total equity	2,800,598	2,714,589	2,754,302
Total assets	3,934,093	3,949,681	3,955,503
Net income attributable to Canon Inc. stockholders per share:			
Basic (yen)	35.49	51.53	191.34
Diluted (yen)	35.49	51.53	191.34
Canon Inc. stockholders' equity to total assets (%)	67.2	64.7	65.7
Cash flows from operating activities	55,414	56,126	384,077
Cash flows from investing activities	(73,403)	(77,875)	(212,740)
Cash flows from financing activities	(84,061)	(131,316)	(319,739)
Cash and cash equivalents at end of period	592,992	645,484	666,678

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, 281 consolidated subsidiaries and 9 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 three months ended March 31, 2013.

No additions or removals of significant group entities have occurred during the three months ended March 31, 2013.

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 First Quarter of Fiscal 2013

No material contracts were entered into during the three months ended March 31, 2013.

(3) Operating Results

Looking back at the global economy in the first quarter of 2013, the pace of economic recovery from last year remained sluggish. The United States saw signs of improvement in such economic indicators as housing prices and the unemployment rate, while in Europe the economy slowed further due to a sense of unease over a possible recurrence of the financial crisis in Southern European nations. The speed of economic expansion in emerging countries such as China, India and Russia declined as a consequence of the worldwide economic slowdown. In Japan, despite improvements in consumer and business sentiment, the real economy failed to match expectations. Although the U.S. economy gave indications of a recovery, the global economy overall remained flat.

As for the markets in which Canon operates amid these conditions, demand for multifunction devices (MFDs) declined due to economic uncertainty and a deceleration in economic growth in emerging countries, while demand for laser printers decreased due to the sluggish economy. Demand for interchangeable lens digital cameras displayed strong growth all over the world, while demand for digital compact cameras continued to shrink both in developed countries and emerging countries. Overall demand for inkjet printers also waned due to the weak economy in Europe and other factors. In the industry and others sector, demand for semiconductor lithography equipment remained flat due to restrained capital expenditure for memory devices, while lithography equipment used in the production of flat panel displays (FPD) continued facing sluggish demand for large-size panels despite the healthy market for mid- and small-size panels used mainly in smartphones and tablet PCs.

The average value of the yen during the quarter was ¥92.76 against the U.S. dollar, a year-on-year depreciation of approximately ¥13, and ¥122.35 against the euro, a year-on-year depreciation of approximately ¥18.

Despite the steady sales growth of competitively priced products such as MFDs and laser printers, as well as increased sales volume of inkjet printers, and the positive effect of favorable currency exchange rates, net sales for the quarter declined 1.5% year on year to ¥816.7 billion, owing to decreased demand for digital compact cameras and industrial equipment. The gross profit ratio rose 0.2 points year on year to 47.3%, thanks to the depreciation of the yen. Although Canon carried out Group-wide efforts to thoroughly reduce spending, operating expenses increased 7.4% year on year to ¥331.1 billion due to the negative effect of the depreciation of the yen. Consequently, first-quarter operating profit decreased by 33.8% to ¥54.8 billion compared with the corresponding period of the previous year. Other income decreased by ¥4.6 billion for the first quarter from the year-ago period due to a decrease in foreign currency exchange gains, and income before income taxes declined by 35.0% year on year to ¥60.3 billion. Net income attributable to Canon Inc. decreased by 33.5% to ¥40.9 billion for the period.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥35.49, a decrease of ¥16.04 compared with the corresponding quarter of the previous year.

(3) Operating Results (continued)

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, although the sales performance of color MFDs, led by the image RUNNER ADVANCE C5200/C2200 series, increased from the year-ago period, total sales volume for both color and monochrome models decreased slightly due to a deterioration in business confidence in the United States and Asia. Sales of the Océ VarioPrint 135 series, which was jointly developed by Canon and Océ for production printing, showed solid growth. Laser printers recorded a slight increase in sales volume year on year owing to sales expansion efforts centered on new products introduced last year offering exceptional environmental performance through such features as energy-saving functions and quiet operation. As a result, sales for the business unit totaled ¥464.2 billion, an increase of 6.0% year on year, while operating profit totaled ¥60.1 billion an increase of 13.7%.

Within the Imaging System Business Unit, sales volume of interchangeable lens digital cameras declined year on year mainly due to the decrease in the concentration of supply on Canon in the market during the year-ago period, as a consequence of the flooding in Thailand in the prior year. Canon, however, maintained to lead in the global market share. As for digital compact cameras, sales volume declined from the previous year due to the market slowdown and the increasing popularity of smartphones. With regard to inkjet printers, new products featuring improved designs and operability in addition to enhanced print quality and other basic functionality were recognized by the market, leading to a significant increase in sales volume from the year-ago period despite the sluggish market as a whole. As a result of the above, sales for the business unit declined by 1.8% to ¥298.1 billion, while operating profit totaled ¥28.5 billion, a decrease of 39.1%.

In the Industry and Others Business Unit, sales volume of semiconductor lithography equipment declined from the previous year due to the restrained capital expenditure for memory devices although investment in semiconductor lithography equipment to produce image sensors and in-car devices showed steady growth. As for FPD lithography equipment, shrinking demand for equipment used in the production of large-size panels, an area in which Canon excels, continued to pose challenging conditions. Consequently, sales for the segment totaled ¥75.1 billion, a decrease of 31.6%, while operating profit decreased ¥11.5 billion, posting a loss of ¥7.5 billion.

(3) Operating Results (continued)

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

Japan

Due to a decrease in sales of industry and others caused by the restrained capital expenditure for semiconductor lithography equipment, net sales in Japan for the first quarter declined 10.7% from the year-ago period to ¥597.6 billion. Operating profit decreased 12.1% year on year to ¥63.8 billion for the quarter.

Net sales outside Japan increased in Europe and Americas due to the solid sales growth of inkjet printer along with the effects of depreciation of the yen. On the other hand, net sales decreased in Asia-Oceania, owing to the sluggish economy in emerging economies.

Americas

Despite the sales decline of digital compact cameras from the previous year due to the increasing popularity of smartphones, robust sales increase of inkjet printers, along with the depreciation of the yen against the U.S. dollar, caused sales increase for the first quarter by 9.3% from the year-ago period to ¥232.0 billion. Operating profit for the quarter totaled ¥3.3 billion, a decrease of 21.4% year on year.

Europe

Although the sales of interchangeable lens digital cameras and digital compact cameras dipped, amid the situation of increasing uncertainty in European economy, sales of inkjet printers and MFDs showed steady sales growth. As a result of those, as well as the effect of depreciation of the yen, sales for the first quarter increased by 5.3% from the same period of the previous year to ¥258.5 billion. Operating profit for the quarter, however, posted a loss of ¥6.0 billion due to an increase of operating expenses by the negative effect of the depreciation of the yen.

Asia and Oceania

Sales of interchangeable lens digital cameras, which have been an engine for solid growth in Asia and Oceania showed slowdown in growth. In addition to it, sales of digital compact cameras and laser printers faced harsh conditions. Inkjet printers, on the other hand, showed steady sales growth. As a consequence of above, as well as positive impact of depreciation of the yen, sales decreased by 1.9% to ¥359.2 billion for the first quarter. Operating profit in Asia and Oceania decreased 31.9% to ¥14.2 billion for the quarter.

(3) Operating Results (continued)**Cash Flows**

During the first quarter of 2013, although net income attributable to Canon Inc. decreased ¥20.6 billion, cash flow from operating activities totaled ¥55.4 billion, a decline of only ¥0.7 billion compared with the corresponding period of the previous year owing to improvements in working capital through such means as increasing the collection of accounts receivable. Due to capital investment focused on new products, cash flow from investing activities decreased ¥4.5 billion year on year, totaling ¥73.4 billion. Accordingly, free cash flow totaled negative ¥18.0 billion, an increase of ¥3.8 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥84.1 billion, mainly arising from the dividend payout. Owing to these factors, as well as the positive impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥73.7 billion year on year to ¥593.0 billion.

Management Issues to be Addressed

No material changes or issues with respect to business operations and finances have occurred during the three months ended March 31, 2013.

Research and Development Expenditures

Canon's research and development expenditures for the three months ended March 31, 2013 totaled ¥73.5 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 three months ended March 31, 2013.

(2) Prospect of Capital Investment in the First Quarter of Fiscal 2013

The new construction of property, plant and equipment, which had been in progress as of December 31, 2012 and was completed during the three months ended March 31, 2013, is as follows:

Name and location	Principal activities and products manufactured	Date of completion
Canon U.S.A., Inc. New York, U.S.A.	New headquarter office Regional marketing subsidiary	January 2013

Canon Business
Machines
(Philippines), Inc.
Batangas, Philippines

Laser printers
(Office Business Unit)

February
2013

There were no significant changes in the plans relevant to the retirement of property, plant and equipment during the first quarter of 2013. Moreover, there were no significant additional plans for new construction or retirement of property, plant and equipment during the first quarter of 2013.

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, Osaka, Nagoya, Fukuoka, Sapporo and New York Stock Exchanges. Total issued shares are as follows:

	As of March 31, 2013
Total number of issued shares	1,333,763,464
<u>Stock Acquisition Rights</u>	

Not applicable.

Exercise status of bonds with share subscription rights containing an adjustable exercise price clause

Not applicable.

Rights Plan

Not applicable.

Change in Issued Shares, Common Stock and Additional Paid in Capital

	Change during this term	As of March 31, 2013
Issued Shares (Number of shares)	-	1,333,763,464
Common Stock (millions of yen)	-	174,762
Additional Paid-in Capital (millions of yen)	-	306,288

Major Shareholders

Not applicable.

(1) Shares (continued)Voting Rights

Classification	As of March 31, 2013	
	Number of shares (shares)	Number of voting rights (units)
Shares without voting rights	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-
Shares with restricted voting rights (Others)	-	-
Shares with full voting rights (Treasury stock, etc.)	(treasury stock) 180,973,200	-
Shares with full voting rights (Others)	1,150,983,500	11,509,835
Fractional unit shares (Note)	1,806,764	-
Total number of issued shares	1,333,763,464	-
Total voting rights held by all shareholders	-	11,509,835

Note:

In Fractional unit shares under Number of shares, 18 shares of treasury stock are included.

Treasury Stock, etc.

	Number of shares owned (Number of shares)	Number of shares owned / Number of shares issued
Canon Inc.	180,973,200	13.57%
Total	180,973,200	13.57%

(2) Directors and Executive Officers

There were no changes in members of directors between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2012 and the end of this quarter.

There were no changes in members of executive officers between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2012 and the end of this quarter.

IV. Financial Statements (Unaudited)

(1) Consolidated Financial Statements

Index of Consolidated Financial Statements of Canon Inc. and Subsidiaries:

	Page
Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012	11
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012	13
Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012	14
Notes to Consolidated Financial Statements	15

CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	Millions of yen	
	March 31, 2013	December 31, 2012
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Note 14)	592,992	666,678
Short-term investments (Note 2)	37,670	28,322
Trade receivables, net (Note 3)	512,031	573,375
Inventories (Note 4)	588,633	551,623
Prepaid expenses and other current assets (Notes 10 and 14)	288,673	262,258
Total current assets	2,019,999	2,082,256
Noncurrent receivables (Note 11)	20,786	19,702
Investments (Note 2)	56,729	56,617
Property, plant and equipment, net (Note 5)	1,280,986	1,260,364
Intangible assets, net	137,363	135,736
Other assets (Note 14)	418,230	400,828
Total assets	3,934,093	3,955,503