

CANON INC  
Form 6-K  
April 28, 2015

**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 **April**, **2015**,

**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 . **April 28, 2015**

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 FIRST QUARTER ENDED MARCH 31, 2015

**CONSOLIDATED RESULTS FOR**  
**THE FIRST QUARTER ENDED MARCH 31, 2015**

April 27, 2015

**CONSOLIDATED RESULTS**

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

|                                       | Actual                            |                                   |           | Projection                        |                               |           |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------|-----------------------------------|-------------------------------|-----------|
|                                       | Three months ended March 31, 2015 | Three months ended March 31, 2014 | Change(%) | Three months ended March 31, 2015 | Year ending December 31, 2015 | Change(%) |
| Net sales                             | ¥ 857,445                         | ¥ 868,312                         | - 1.3     | \$ 7,145,375                      | ¥ 3,860,000                   | + 3.6     |
| Operating profit                      | 66,197                            | 82,639                            | - 19.9    | 551,642                           | 380,000                       | + 4.5     |
| Income before income taxes            | 61,281                            | 79,191                            | - 22.6    | 510,675                           | 390,000                       | + 1.8     |
| Net income attributable to Canon Inc. | ¥ 33,930                          | ¥ 47,610                          | - 28.7    | \$ 282,750                        | ¥ 255,000                     | + 0.1     |

**Net income attributable to Canon Inc. shareholders per share:**

|           |         |         |        |         |          |       |
|-----------|---------|---------|--------|---------|----------|-------|
| - Basic   | ¥ 31.07 | ¥ 42.11 | - 26.2 | \$ 0.26 | ¥ 233.53 | + 2.0 |
| - Diluted | 31.07   | 42.11   | - 26.2 | 0.26    | -        | -     |

|                                | Actual               |                         |           |
|--------------------------------|----------------------|-------------------------|-----------|
|                                | As of March 31, 2015 | As of December 31, 2014 | Change(%) |
| Total assets                   | ¥ 4,284,215          | ¥ 4,460,618             | - 4.0     |
| Canon Inc. shareholders equity | ¥ 2,869,104          | ¥ 2,978,184             | - 3.7     |

- 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 120 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2015, solely for the convenience of the reader.

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Headquarter office

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Phone: +81-3-3758-2111

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# I. Operating Results and Financial Conditions

## 2015 First Quarter in Review

Looking back at the global economy in the first quarter of 2015, the U.S. economy continued recovering smoothly as employment conditions and consumer spending steadily improved. In Europe, although the U.K. and Germany showed signs of economic recovery, the economies of Russia and Southern European nations remained stagnant. The pace of economic expansion in China remained modest while other emerging countries faced slowdowns owing to currency depreciation. As for the Japanese economy, improvement was seen in the corporate sector and consumer spending was stable. As a result, the global economy overall continued realizing moderate growth.

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 semiconductor lithography equipment increased, fueled by continued customer investment. As for cameras, demand continued to decline both for interchangeable-lens digital cameras and digital compact cameras. Looking at inkjet printers, demand decreased slightly from the previous year due to sluggish market conditions in emerging economies.

The average value of the yen during the quarter was ¥119.25 against the U.S. dollar, a year on year depreciation of approximately ¥17, and ¥133.89 against the euro, a year on year appreciation of approximately ¥7.

During the first quarter, MFDs and laser printers enjoyed steady growth that has continued from the previous year. Despite solid growth in the U.S. market, interchangeable-lens digital cameras continued to face severe conditions in other regions while sales volume for digital compact cameras decreased in all regions compared with the same period of the previous year. Net sales of inkjet printers also decreased, mainly in Japan and emerging countries. Consequently, first quarter net sales decreased 1.3% year on year to ¥857.4 billion despite the positive effect of favorable currency exchange rates. The gross profit ratio rose 1.4 points year on year to 51.1% thanks to ongoing cost-cutting activities and efforts aimed at controlling price reductions while gross profit increased 1.6% despite the decline in sales. Operating expenses increased 6.7% year on year to ¥372.4 billion owing to such factors as the increase in foreign-currency-denominated operating expenses after conversion into yen due to the depreciation of the yen, along with the increase in R&D expenses related to new business and new products. As a result, first-quarter operating profit decreased by 19.9% to ¥66.2 billion. Other income (deductions) decreased by ¥1.5 billion due to foreign currency exchange losses while income before income taxes decreased by 22.6% year on year to ¥61.3 billion. Net income attributable to Canon Inc. decreased by 28.7% to ¥33.9 billion due to such factors as the increase in corporate tax as a result of the revision to Japan's tax system that was passed by the Diet in March.

Basic net income attributable to Canon Inc. shareholders per share for the quarter was ¥31.07, a year on year decrease of ¥11.04.

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## Results by Segment

Looking at Canon's first-quarter performance by business unit, within the Office Business Unit, as for office MFDs, despite the healthy demand for new imageRUNNER ADVANCE C350/C250-series models, color A4 (letter and legal-sized)-model imageRUNNER ADVANCE machines, and the imagePRESS C800/C700, color models targeting the light production market, total sales volume decreased slightly from the year-ago period due to slow demand in Asian countries and the rush in demand in Japan during the first quarter of the previous year that preceded the country's consumption tax increase. 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 sales volume decreased in Japan as a result of the rush in demand during the same period of the previous year leading up to the consumption tax hike, sales volume overall increased owing to steadily growing demand in other regions. As a result, coupled with the positive effects of favorable currency exchange rates, sales for the business unit totaled ¥529.1 billion, a year on year increase of 3.9%, while operating profit totaled ¥71.7 billion, declining 1.0% due to the increase in R&D and other expenses.

Within the Imaging System Business Unit, although sales volume of interchangeable-lens digital cameras declined due to market shrinkage, the U.S. market showed signs of recovery with sales volume increasing from the same period of the previous year. Solid demand for advanced-amateur models, such as the EOS 7D Mark II, contributed to an improvement in the gross profit ratio. As for digital compact cameras, although sales volume for low-end models declined due to the ongoing contraction of the market in all regions from the previous year, sales volume for high-added-value models, featuring high image quality and high-magnification zoom capabilities, increased from the same period of the previous year. As for inkjet printers, although sales volume in the U.S. increased from the same period of the previous year thanks to sales promotions for new products featuring enhanced mobile-device compatibility for which demand is increasing and MAXIFY business-model inkjet printers, total sales volume declined slightly due to economic stagnation in emerging countries and the previous year's rush in demand in Japan leading up to the hike in the country's consumption tax. As a result, sales for the business unit decreased by 10.3% to ¥262.7 billion year on year, while operating profit totaled ¥29.1 billion, a decline of 30.7%.

In the Industry and Others Business Unit, within the semiconductor lithography equipment segment, ongoing investment by manufacturers led to an increase in first-quarter unit sales of lithography systems for memory devices and power semiconductor devices from the same period of the previous year. As for FPD lithography equipment, although no sales were recorded during the quarter, the market for FPD lithography equipment showed solid growth with positive developments in orders and shipments. Looking at medical equipment, although total sales for the segment decreased from the same period of the previous year, sales volume for high-resolution wireless models, among Canon's mainstay digital radiography systems, increased. Consequently, sales for the business unit totaled ¥89.3 billion, a decrease of 0.5% year on year, while operating profit recorded a loss of ¥7.8 billion owing to upfront investment into next-generation technologies.

## Cash Flow

During the first quarter of 2015, cash flow from operating activities totaled ¥99.5 billion, a decrease of ¥32.8 billion compared with the same period of the previous year due to the decrease in profit along with an increase in inventory. Due to capital investment focused on new products and a decrease in time deposits with original maturities of more than three months, which are included in short-term investments, cash flow from investing activities decreased ¥22.8 billion year on year to ¥33.7 billion. Accordingly, free cash flow totaled ¥65.8 billion, a decrease of ¥10.0 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥94.6 billion, mainly arising from the dividend payout.

Owing to these factors, as well as the negative impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥50.9 billion to ¥793.7 billion from the end of the previous year.

## Outlook

As for the outlook in the second quarter onward, the economic recovery in the U.S. is expected to gain momentum, supported by steady consumer spending and employment conditions. Projections for the European economy point to continued weak growth due to increasing uncertainty surrounding such factors as the recession in the Russian economy and the resurgent financial crisis in Greece. China's economy is expected to face a slowdown while projections for other emerging countries indicate that more time will be needed for a recovery due to currency depreciations and other factors. As for the Japanese economy, consumer spending is expected to gradually recover amid an improvement in employment conditions. Looking at the global economy as a whole, while the outlook for a recovery going into the latter half of the year remains unchanged, the pace of recovery will likely be slower than originally assumed.

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, demand is expected to be weaker than originally forecast at the beginning of the year. Within the digital compact camera market, although projections point to continued market contraction for low-end models, demand for high-added-value models featuring high image quality and high-magnification zoom capabilities is expected to grow steadily. Looking at inkjet printers, as market conditions in emerging countries gradually recover as the latter half of the year approaches, demand is expected to remain in line with the previous year. Within the industrial equipment market, demand for semiconductor lithography equipment is expected to increase compared with the previous year as manufacturers are expected to boost capital outlays in response to increasing demand for memory devices, image sensors and power semiconductors, while demand for FPD lithography equipment is also projected to increase as device manufacturers boost capital investment amid growing panel demand.

With regard to currency exchange rates for the second quarter onward, on which Canon's performance outlook is based, Canon anticipates exchange rates of ¥120 to the U.S. dollar and ¥130 to the euro, representing a depreciation of approximately ¥14 against the U.S. dollar and an appreciation of approximately ¥10 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration these foreign exchange rate assumptions and the current economic forecast, Canon projects full-year consolidated net sales in 2015 of ¥3,860.0 billion, a year on year increase of 3.6%; operating profit of ¥380.0 billion, a year on year increase of 4.5%; income before income taxes of ¥390.0 billion, a year on year increase of 1.8%; and net income attributable to Canon Inc. of ¥255.0 billion, a year on year increase of 0.1%.

## Consolidated Outlook

| Fiscal year                           | Millions of yen      |                     |                   |                                 |                              |  |
|---------------------------------------|----------------------|---------------------|-------------------|---------------------------------|------------------------------|--|
|                                       | Year ending          |                     | Change<br>(B - A) | Year ended<br>December 31, 2014 | Change (%)<br>(B - C) /<br>C |  |
|                                       | December 31, 2015    | December 31, 2014   |                   |                                 |                              |  |
|                                       | Previous Outlook (A) | Revised Outlook (B) |                   | Results (C)                     |                              |  |
| Net sales                             | ¥ 3,900,000          | ¥ 3,860,000         | ¥ (40,000)        | ¥ 3,727,252                     | +3.6%                        |  |
| Operating profit                      | 380,000              | 380,000             | -                 | 363,489                         | +4.5%                        |  |
| Income before income taxes            | 390,000              | 390,000             | -                 | 383,239                         | +1.8%                        |  |
| Net income attributable to Canon Inc. | ¥ 260,000            | ¥ 255,000           | ¥ (5,000)         | ¥ 254,797                       | +0.1%                        |  |

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, 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. project



CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

|  | As of<br>March 31, 2015 | Millions of yen<br>As of<br>December 31, 2014 | Change      |
|--|-------------------------|---|-------------|
| <b>ASSETS</b>  |                         |   |             |
| Current assets:  |                         |   |             |
| Cash and cash equivalents                              | ¥ 793,701               | ¥ 844,580                                     | ¥ (50,879)  |
| Short-term investments                                 | 41,578                  | 71,863  | (30,285)    |
| Trade receivables, net                                 | 536,805                 | 625,675                                       | (88,870)    |
| Inventories  | 562,832                 | 528,167                                       | 34,665      |
| Prepaid expenses and other current assets              | 320,450                 | 321,648                                       | (1,198)     |
| Total current assets                                   | 2,255,366               | 2,391,933                                     | (136,567)   |
| Noncurrent receivables                                 | 29,590                  | 29,785  | (195)       |
| Investments  | 66,830                  | 65,176  | 1,654       |
| Property, plant and equipment, net                     | 1,252,923               | 1,269,529                                     | (16,606)    |
| Intangible assets, net                                 | 171,308                 | 177,288                                       | (5,980)     |
| Other assets   | 508,198                 | 526,907                                       | (18,709)    |
| Total assets   | ¥ 4,284,215             | ¥ 4,460,618                                   | ¥ (176,403) |
| <b>LIABILITIES AND EQUITY</b>                          |                         |   |             |
| Current liabilities:                                   |                         |   |             |
| Short-term loans and current portion of long-term debt | ¥ 937                   | ¥ 1,018                                       | ¥ (81)      |
| Trade payables   | 315,148                 | 310,214                                       | 4,934       |
| Accrued income taxes                                   | 32,897                  | 57,212  | (24,315)    |
| Accrued expenses                                       | 326,473                 | 345,237                                       | (18,764)    |
| Other current liabilities                              | 190,865                 | 207,698                                       | (16,833)    |
| Total current liabilities                              | 866,320                 | 921,379                                       | (55,059)    |
| Long-term debt, excluding current installments         | 1,152                   | 1,148   | 4           |
| Accrued pension and severance cost                     | 272,477                 | 280,928                                       | (8,451)     |
| Other noncurrent liabilities                           | 113,897                 | 116,405                                       | (2,508)     |
| Total liabilities                                      | 1,253,846               | 1,319,860                                     | (66,014)    |
| Equity:  |                         |   |             |
| Canon Inc. shareholders' equity:                       |                         |   |             |
| Common stock   | 174,762                 | 174,762                                       | -           |
| Additional paid-in capital                             | 401,482                 | 401,563                                       | (81)        |
| Legal reserve  | 65,057                  | 64,599  | 458         |
| Retained earnings                                      | 3,261,037               | 3,320,392                                     | (59,355)    |
| Accumulated other comprehensive income (loss)          | (22,280)                | 28,286  | (50,566)    |
| Treasury stock, at cost                                | (1,010,954)             | (1,011,418)                                   | 464         |
| Total Canon Inc. shareholders' equity                  | 2,869,104               | 2,978,184                                     | (109,080)   |

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|                              |                    |             |             |
|------------------------------|--------------------|-------------|-------------|
| Noncontrolling interests     | <b>161,265</b>     | 162,574     | (1,309)     |
| Total equity                 | <b>3,030,369</b>   | 3,140,758   | (110,389)   |
| Total liabilities and equity | <b>¥ 4,284,215</b> | ¥ 4,460,618 | ¥ (176,403) |

Millions of yen

|                       |                     |
|-----------------------|---------------------|
| <b>As of</b>          | <b>As of</b>        |
| <b>March 31, 2015</b> | <b>December 31,</b> |
|                       | <b>2014</b>         |

Notes:

|   |                  |           |
|---|------------------|-----------|
| 1. Allowance for doubtful receivables             | <b>¥ 11,545</b>  | ¥ 12,122  |
| 2. Accumulated depreciation                       | <b>2,519,147</b> | 2,519,259 |
| 3. Accumulated other comprehensive income (loss): |                  |           |
| Foreign currency translation adjustments          | <b>90,827</b>    | 144,557   |
| Net unrealized gains and losses on securities     | <b>12,799</b>    | 12,546    |
| Net gains and losses on derivative instruments    | <b>608</b>       | (2,603)   |
| Pension liability adjustments                     | <b>(126,514)</b> | (126,214) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

|   | Millions of yen                         |   | Change(%) |      |
|---|---|---|-----------|------|
|   | Three months<br>ended<br>March 31, 2015 | Three months<br>ended<br>March 31, 2014 |           |      |
| Net sales   | ¥ 857,445                               | ¥ 868,312                               | -         | 1.3  |
| Cost of sales   | 418,881                                 | 436,830                                 |           |      |
| Gross profit  | 438,564                                 | 431,482                                 | +         | 1.6  |
| Operating expenses:                                       |   |   |           |      |
| Selling, general and administrative expenses              | 293,128                                 | 274,025                                 |           |      |
| Research and development expenses                         | 79,239                                  | 74,818                                  |           |      |
|   | 372,367                                 | 348,843                                 |           |      |
| Operating profit  | 66,197                                  | 82,639                                  | -         | 19.9 |
| Other income (deductions):                                |   |   |           |      |
| Interest and dividend income                              | 1,587                                   | 1,604                                   |           |      |
| Interest expense  | (101)                                   | (103)                                   |           |      |
| Other, net  | (6,402)                                 | (4,949)                                 |           |      |
|   | (4,916)                                 | (3,448)                                 |           |      |
| Income before income taxes                                | 61,281                                  | 79,191                                  | -         | 22.6 |
| Income taxes  | 26,429                                  | 28,613                                  |           |      |
| Consolidated net income                                   | 34,852                                  | 50,578                                  |           |      |
| Less: Net income attributable to noncontrolling interests | 922                                     | 2,968                                   |           |      |
| Net income attributable to Canon Inc.                     | ¥ 33,930                                | ¥ 47,610                                | -         | 28.7 |

**Consolidated statements of comprehensive income**

|  | Millions of yen                         |   | Change(%) |      |
|--|---|---|-----------|------|
|  | Three months<br>ended<br>March 31, 2015 | Three months<br>ended<br>March 31, 2014 |           |      |
| Consolidated net income                        | ¥ 34,852                                | ¥ 50,578                                | -         | 31.1 |
| Other comprehensive income (loss), net of tax  |   |   |           |      |
| Foreign currency translation adjustments       | (54,128)                                | (32,736)                                |           |      |
| Net unrealized gains and losses on securities  | 472                                     | (1,319)                                 |           |      |
| Net gains and losses on derivative instruments | 3,213                                   | 2,378                                   |           |      |
| Pension liability adjustments                  | (305)                                   | 13,937                                  |           |      |

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|   |   |                 |          |   |
|---|---|-----------------|----------|---|
|   |   | <b>(50,748)</b> | (17,740) |   |
| Comprehensive income (loss)   |   | <b>(15,896)</b> | 32,838   | - |
| Less: Comprehensive income attributable to noncontrolling interests |   | <b>740</b>      | 2,733    |   |
| Comprehensive income (loss) attributable to Canon Inc.              | ¥ | <b>(16,636)</b> | ¥ 30,105 | - |

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| Sales by business unit | Millions of yen                      |                                      | Change(%) |
|------------------------|--------------------------------------|--------------------------------------|-----------|
|                        | Three months ended<br>March 31, 2015 | Three months ended<br>March 31, 2014 |           |
| Office                 | ¥ 529,131                            | ¥ 509,176                            | + 3.9     |
| Imaging System         | 262,658                              | 292,809                              | - 10.3    |
| Industry and Others    | 89,303                               | 89,770                               | - 0.5     |
| Eliminations           | (23,647)                             | (23,443)                             | -         |
| Total                  | ¥ 857,445                            | ¥ 868,312                            | - 1.3     |

| Sales by region         | Millions of yen                      |                                      | Change(%) |
|-------------------------|--------------------------------------|--------------------------------------|-----------|
|                         | Three months ended<br>March 31, 2015 | Three months ended<br>March 31, 2014 |           |
| Japan                   | ¥ 165,143                            | ¥ 191,713                            | - 13.9    |
| Overseas:               |                                      |                                      |           |
| <i>Americas</i>         | 248,975                              | 228,531                              | + 8.9     |
| <i>Europe</i>           | 245,959                              | 261,911                              | - 6.1     |
| <i>Asia and Oceania</i> | 197,368                              | 186,157                              | + 6.0     |
|                         | 692,302                              | 676,599                              | + 2.3     |
| Total                   | ¥ 857,445                            | ¥ 868,312                            | - 1.3     |

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

Office Business Unit :

Office multifunction devices (MFDs) / Laser multifunction printers (MFPs) / Laser printers / Digital production printing systems /

High speed continuous feed printers / Wide-format printers / Document solutions

Imaging System Business Unit :

Interchangeable lens digital cameras / Digital compact cameras / Digital camcorders / Digital cinema cameras / Interchangeable lenses /

Compact photo printers / Inkjet printers / Large-format inkjet printers / Commercial photo printers / Image scanners / Multimedia projectors /

Broadcast equipment / Calculators

Industry and Others Business Unit :

Semiconductor lithography equipment / FPD (Flat panel display) lithography equipment / Digital radiography systems /

Ophthalmic equipment / Vacuum thin-film deposition equipment / Organic LED (OLED) panel manufacturing equipment /

Die bonders / Micromotors / Network cameras / Handy terminals / Document scanners

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

Americas: United States of America, Canada, Latin America

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

Asia and Oceania: China, Asian countries, Australia



## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | Millions of yen           |                                      |
|--|---------------------------|--------------------------------------|
|  | <b>Three months ended</b> |                                      |
|  | <b>March 31,<br/>2015</b> | Three months ended<br>March 31, 2014 |
| Cash flows from operating activities:  |                           |                                      |
| Consolidated net income  | ¥ 34,852                  | ¥ 50,578                             |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                           |                                      |
| Depreciation and amortization  | 64,416                    | 61,352                               |
| Loss on disposal of fixed assets   | 916                       | 2,647                                |
| Deferred income taxes  | (713)                     | 4,212                                |
| Decrease in trade receivables  | 67,368                    | 61,575                               |
| Increase in inventories  | (52,604)                  | (6,945)                              |
| Increase in trade payables   | 27,012                    | 6,651                                |
| Decrease in accrued income taxes   | (23,650)                  | (16,677)                             |
| Decrease in accrued expenses   | (8,053)                   | (12,162)                             |
| Increase (decrease) in accrued (prepaid) pension and severance cost                            | 1,202                     | (6,326)                              |
| Other, net   | (11,294)                  | (12,651)                             |
| <br>Net cash provided by operating activities  | <br><b>99,452</b>         | <br>132,254                          |
| Cash flows from investing activities:  |                           |                                      |
| Purchases of fixed assets  | (56,344)                  | (57,418)                             |
| Proceeds from sale of fixed assets   | 495                       | 1,861                                |
| Purchases of available-for-sale securities   | (73)                      | (122)                                |
| Decrease in time deposits, net   | 27,808                    | 25                                   |
| Acquisitions of subsidiaries, net of cash acquired   | (4,351)                   | (980)                                |
| Purchases of other investments   | (963)                     | -                                    |
| Other, net   | (293)                     | 159                                  |
| <br>Net cash used in investing activities  | <br><b>(33,721)</b>       | <br>(56,475)                         |
| Cash flows from financing activities:  |                           |                                      |
| Proceeds from issuance of long-term debt   | 248                       | 179                                  |
| Repayments of long-term debt   | (358)                     | (580)                                |
| Decrease in short-term loans, net  | -                         | (41)                                 |
| Dividends paid   | (92,806)                  | (73,905)                             |
| Repurchases of treasury stock, net   | 364                       | (50,006)                             |
| Other, net   | (2,051)                   | (1,391)                              |
| <br>Net cash used in financing activities  | <br><b>(94,603)</b>       | <br>(125,744)                        |
| Effect of exchange rate changes on cash and cash equivalents                                   | (22,007)                  | (11,853)                             |
| <br>Net change in cash and cash equivalents  | <br><b>(50,879)</b>       | <br>(61,818)                         |
| Cash and cash equivalents at beginning of period   | 844,580                   | 788,909                              |
| <br>Cash and cash equivalents at end of period   | <br><b>¥ 793,701</b>      | <br>¥ 727,091                        |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

## (1) SEGMENT INFORMATION BY BUSINESS UNIT

|                                   | Millions of yen                      |                                      | Change(%) |      |
|-----------------------------------|--------------------------------------|--------------------------------------|-----------|------|
|                                   | Three months ended<br>March 31, 2015 | Three months ended<br>March 31, 2014 |           |      |
| <b>Office</b>                     |                                      |                                      |           |      |
| Net sales:                        |                                      |                                      |           |      |
| External customers                | ¥ 528,499                            | ¥ 508,099                            | +         | 4.0  |
| Intersegment                      | 632                                  | 1,077                                | -         | 41.3 |
| Total                             | 529,131                              | 509,176                              | +         | 3.9  |
| Operating cost and expenses       | 457,415                              | 436,719                              | +         | 4.7  |
| Operating profit                  | ¥ 71,716                             | ¥ 72,457                             | -         | 1.0  |
| <b>Imaging System</b>             |                                      |                                      |           |      |
| Net sales:                        |                                      |                                      |           |      |
| External customers                | ¥ 262,349                            | ¥ 292,613                            | -         | 10.3 |
| Intersegment                      | 309                                  | 196                                  | +         | 57.7 |
| Total                             | 262,658                              | 292,809                              | -         | 10.3 |
| Operating cost and expenses       | 233,540                              | 250,783                              | -         | 6.9  |
| Operating profit                  | ¥ 29,118                             | ¥ 42,026                             | -         | 30.7 |
| <b>Industry and Others</b>        |                                      |                                      |           |      |
| Net sales:                        |                                      |                                      |           |      |
| External customers                | ¥ 66,597                             | ¥ 67,600                             | -         | 1.5  |
| Intersegment                      | 22,706                               | 22,170                               | +         | 2.4  |
| Total                             | 89,303                               | 89,770                               | -         | 0.5  |
| Operating cost and expenses       | 97,142                               | 97,391                               | -         | 0.3  |
| Operating profit                  | ¥ (7,839)                            | ¥ (7,621)                            | -         | -    |
| <b>Corporate and Eliminations</b> |                                      |                                      |           |      |
| Net sales:                        |                                      |                                      |           |      |
| External customers                | ¥ -                                  | ¥ -                                  | -         | -    |



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|                             |            |            |   |      |
|-----------------------------|------------|------------|---|------|
| Intersegment                | (23,647)   | (23,443)   | - |      |
| Total                       | (23,647)   | (23,443)   | - |      |
| Operating cost and expenses | 3,151      | 780        | - |      |
| Operating profit            | ¥ (26,798) | ¥ (24,223) | - |      |
| <b>Consolidated</b>         |            |            |   |      |
| Net sales:                  |            |            |   |      |
| External customers          | ¥ 857,445  | ¥ 868,312  | - | 1.3  |
| Intersegment                | -          | -          | - | -    |
| Total                       | 857,445    | 868,312    | - | 1.3  |
| Operating cost and expenses | 791,248    | 785,673    | + | 0.7  |
| Operating profit            | ¥ 66,197   | ¥ 82,639   | - | 19.9 |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## (2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

|                             | Millions of yen                   |                                   | Change(%) |       |
|-----------------------------|-----------------------------------|-----------------------------------|-----------|-------|
|                             | Three months ended March 31, 2015 | Three months ended March 31, 2014 |           |       |
| <b>Japan</b>                |                                   |                                   |           |       |
| Net sales:                  |                                   |                                   |           |       |
| External customers          | ¥ 182,437                         | ¥ 208,645                         | -         | 12.6  |
| Intersegment                | 432,034                           | 407,091                           | +         | 6.1   |
| Total                       | 614,471                           | 615,736                           | -         | 0.2   |
| Operating cost and expenses | 548,348                           | 538,797                           | +         | 1.8   |
| Operating profit            | ¥ 66,123                          | ¥ 76,939                          | -         | 14.1  |
| <b>Americas</b>             |                                   |                                   |           |       |
| Net sales:                  |                                   |                                   |           |       |
| External customers          | ¥ 247,599                         | ¥ 228,200                         | +         | 8.5   |
| Intersegment                | 4,167                             | 693                               | +         | 501.3 |
| Total                       | 251,766                           | 228,893                           | +         | 10.0  |
| Operating cost and expenses | 247,536                           | 224,325                           | +         | 10.3  |
| Operating profit            | ¥ 4,230                           | ¥ 4,568                           | -         | 7.4   |
| <b>Europe</b>               |                                   |                                   |           |       |
| Net sales:                  |                                   |                                   |           |       |
| External customers          | ¥ 246,349                         | ¥ 261,573                         | -         | 5.8   |
| Intersegment                | 14,651                            | 11,476                            | +         | 27.7  |
| Total                       | 261,000                           | 273,049                           | -         | 4.4   |
| Operating cost and expenses | 260,772                           | 268,018                           | -         | 2.7   |
| Operating profit            | ¥ 228                             | ¥ 5,031                           | -         | 95.5  |
| <b>Asia and Oceania</b>     |                                   |                                   |           |       |
| Net sales:                  |                                   |                                   |           |       |
| External customers          | ¥ 181,060                         | ¥ 169,894                         | +         | 6.6   |
| Intersegment                | 215,581                           | 191,634                           | +         | 12.5  |
| Total                       | 396,641                           | 361,528                           | +         | 9.7   |
| Operating cost and expenses | 379,656                           | 344,640                           | +         | 10.2  |

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|                                   |            |            |   |      |
|-----------------------------------|------------|------------|---|------|
| Operating profit                  | ¥ 16,985   | ¥ 16,888   | + | 0.6  |
| <b>Corporate and Eliminations</b> |            |            |   |      |
| Net sales:                        |            |            |   |      |
| External customers                | ¥ -        | ¥ -        | - | -    |
| Intersegment                      | (666,433)  | (610,894)  | - | -    |
| Total                             | (666,433)  | (610,894)  | - | -    |
| Operating cost and expenses       | (645,064)  | (590,107)  | - | -    |
| Operating profit                  | ¥ (21,369) | ¥ (20,787) | - | -    |
| <b>Consolidated</b>               |            |            |   |      |
| Net sales:                        |            |            |   |      |
| External customers                | ¥ 857,445  | ¥ 868,312  | - | 1.3  |
| Intersegment                      | -          | -          | - | -    |
| Total                             | 857,445    | 868,312    | - | 1.3  |
| Operating cost and expenses       | 791,248    | 785,673    | + | 0.7  |
| Operating profit                  | ¥ 66,197   | ¥ 82,639   | - | 19.9 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. SHAREHOLDERS' EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

## (1) GROUP POSITION

## 1. Number of Group Companies

|              | March 31, 2015 | December 31, 2014 | Change |
|--------------|----------------|-------------------|--------|
| Subsidiaries | 263            | 261               | 2      |
| Affiliates   | 7              | 7                 | -      |
| Total        | 270            | 268               | 2      |

## 2. Change in Group Entities

|              |             |
|--------------|-------------|
| Subsidiaries |             |
| Addition:    | 5 companies |
| Removal:     | 3 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.

**CONSOLIDATED RESULTS FOR  
THE FIRST QUARTER ENDED MARCH 31, 2015  
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**

|                         | 2015        |           | 2014        |           | (Millions of yen)     |        |
|-------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
|                         | Year        |           | Year        |           | Change year over year |        |
|                         | 1st quarter | (P)       | 1st quarter | Year      | 1st quarter           | Year   |
| <b>Japan</b>            |             |           |             |           |                       |        |
| Office                  | 95,160      | -         | 102,020     | 380,594   | -6.7%                 | -      |
| Imaging System          | 38,154      | -         | 53,343      | 207,281   | -28.5%                | -      |
| Industry and Others     | 31,829      | -         | 36,350      | 136,442   | -12.4%                | -      |
| Total                   | 165,143     | 741,500   | 191,713     | 724,317   | -13.9%                | +2.4%  |
| <b>Overseas</b>         |             |           |             |           |                       |        |
| Office                  | 433,339     | -         | 406,079     | 1,695,194 | +6.7%                 | -      |
| Imaging System          | 224,195     | -         | 239,270     | 1,135,220 | -6.3%                 | -      |
| Industry and Others     | 34,768      | -         | 31,250      | 172,521   | +11.3%                | -      |
| Total                   | 692,302     | 3,118,500 | 676,599     | 3,002,935 | +2.3%                 | +3.8%  |
| <b>Americas</b>         |             |           |             |           |                       |        |
| Office                  | 176,828     | -         | 156,166     | 656,783   | +13.2%                | -      |
| Imaging System          | 63,980      | -         | 65,897      | 345,707   | -2.9%                 | -      |
| Industry and Others     | 8,167       | -         | 6,468       | 34,010    | +26.3%                | -      |
| Total                   | 248,975     | 1,147,700 | 228,531     | 1,036,500 | +8.9%                 | +10.7% |
| <b>Europe</b>           |             |           |             |           |                       |        |
| Office                  | 167,503     | -         | 173,532     | 689,275   | -3.5%                 | -      |
| Imaging System          | 71,048      | -         | 81,551      | 367,050   | -12.9%                | -      |
| Industry and Others     | 7,408       | -         | 6,828       | 34,159    | +8.5%                 | -      |
| Total                   | 245,959     | 1,009,000 | 261,911     | 1,090,484 | -6.1%                 | -7.5%  |
| <b>Asia and Oceania</b> |             |           |             |           |                       |        |
| Office                  | 89,008      | -         | 76,381      | 349,136   | +16.5%                | -      |
| Imaging System          | 89,167      | -         | 91,822      | 422,463   | -2.9%                 | -      |
| Industry and Others     | 19,193      | -         | 17,954      | 104,352   | +6.9%                 | -      |
| Total                   | 197,368     | 961,800   | 186,157     | 875,951   | +6.0%                 | +9.8%  |
| <b>Intersegment</b>     |             |           |             |           |                       |        |
| Office                  | 632         | -         | 1,077       | 2,944     | -41.3%                | -      |
| Imaging System          | 309         | -         | 196         | 693       | +57.7%                | -      |
| Industry and Others     | 22,706      | -         | 22,170      | 89,802    | +2.4%                 | -      |
| Eliminations            | (23,647)    | -         | (23,443)    | (93,439)  | -                     | -      |
| Total                   | 0           | 0         | 0           | 0         | -                     | -      |
| <b>Total</b>            |             |           |             |           |                       |        |
| Office                  | 529,131     | 2,180,500 | 509,176     | 2,078,732 | +3.9%                 | +4.9%  |
| Imaging System          | 262,658     | 1,310,000 | 292,809     | 1,343,194 | -10.3%                | -2.5%  |
| Industry and Others     | 89,303      | 460,900   | 89,770      | 398,765   | -0.5%                 | +15.6% |
| Eliminations            | (23,647)    | (91,400)  | (23,443)    | (93,439)  | -                     | -      |
| Total                   | 857,445     | 3,860,000 | 868,312     | 3,727,252 | -1.3%                 | +3.6%  |

(P)=Projection

**2. SEGMENT INFORMATION BY BUSINESS UNIT**

|                                   | 2015        |           | 2014        |           | (Millions of yen)<br>Change year over year |         |
|-----------------------------------|-------------|-----------|-------------|-----------|--|---------|
|                                   | 1st quarter | Year      | 1st quarter | Year      | 1st quarter                                | Year    |
|                                   |             | (P)       |             |           |  |         |
| <b>Office</b>                     |             |           |             |           |  |         |
| External customers                | 528,499     | 2,179,200 | 508,099     | 2,075,788 | +4.0%                                      | +5.0%   |
| Intersegment                      | 632         | 1,300     | 1,077       | 2,944     | -41.3%                                     | -55.8%  |
| Total sales                       | 529,131     | 2,180,500 | 509,176     | 2,078,732 | +3.9%                                      | +4.9%   |
| Operating profit                  | 71,716      | 330,000   | 72,457      | 292,057   | -1.0%                                      | +13.0%  |
| % of sales                        | 13.6%       | 15.1%     | 14.2%       | 14.0%     | -  | -       |
| <b>Imaging System</b>             |             |           |             |           |  |         |
| External customers                | 262,349     | 1,308,300 | 292,613     | 1,342,501 | -10.3%                                     | -2.5%   |
| Intersegment                      | 309         | 1,700     | 196         | 693       | +57.7%                                     | +145.3% |
| Total sales                       | 262,658     | 1,310,000 | 292,809     | 1,343,194 | -10.3%                                     | -2.5%   |
| Operating profit                  | 29,118      | 187,200   | 42,026      | 194,601   | -30.7%                                     | -3.8%   |
| % of sales                        | 11.1%       | 14.3%     | 14.4%       | 14.5%     | -  | -       |
| <b>Industry and Others</b>        |             |           |             |           |  |         |
| External customers                | 66,597      | 372,500   | 67,600      | 308,963   | -1.5%                                      | +20.6%  |
| Intersegment                      | 22,706      | 88,400    | 22,170      | 89,802    | +2.4%                                      | -1.6%   |
| Total sales                       | 89,303      | 460,900   | 89,770      | 398,765   | -0.5%                                      | +15.6%  |
| Operating profit                  | (7,839)     | (22,800)  | (7,621)     | (21,801)  | -  | -       |
| % of sales                        | -8.8%       | -4.9%     | -8.5%       | -5.5%     | -  | -       |
| <b>Corporate and Eliminations</b> |             |           |             |           |  |         |
| External customers                | -           | -         | -           | -         | -  | -       |
| Intersegment                      | (23,647)    | (91,400)  | (23,443)    | (93,439)  | -  | -       |
| Total sales                       | (23,647)    | (91,400)  | (23,443)    | (93,439)  | -  | -       |
| Operating profit                  | (26,798)    | (114,400) | (24,223)    | (101,368) | -  | -       |
| <b>Consolidated</b>               |             |           |             |           |  |         |
| External customers                | 857,445     | 3,860,000 | 868,312     | 3,727,252 | -1.3%                                      | +3.6%   |
| Intersegment                      | -           | -         | -           | -         | -  | -       |
| Total sales                       | 857,445     | 3,860,000 | 868,312     | 3,727,252 | -1.3%                                      | +3.6%   |
| Operating profit                  | 66,197      | 380,000   | 82,639      | 363,489   | -19.9%                                     | +4.5%   |
| % of sales                        | 7.7%        | 9.8%      | 9.5%        | 9.8%      | -  | -       |

(P)=Projection

**3. OTHER INCOME / DEDUCTIONS**

|   | 2015        |         | 2014        |        | (Millions of yen)<br>Change year over year |          |
|---|-------------|---------|-------------|--------|--|----------|
|   | 1st quarter | Year    | 1st quarter | Year   | 1st quarter                                | Year     |
|   |             | (P)     |             |        |  |          |
| Interest and dividend, net              | 1,486       | 2,300   | 1,501       | 7,406  | (15)                                       | (5,106)  |
| Forex gain (loss)                       | (7,926)     | (8,900) | (5,807)     | 2,628  | (2,119)                                    | (11,528) |
| Equity earnings of affiliated companies | 301         | 200     | 93          | 478    | +208                                       | (278)    |
| Other, net                              | 1,223       | 16,400  | 765         | 9,238  | +458                                       | +7,162   |
| Total                                   | (4,916)     | 10,000  | (3,448)     | 19,750 | (1,468)                                    | (9,750)  |

(P)=Projection

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

|                            | 2015        |      | 2014        |      |
|----------------------------|-------------|------|-------------|------|
|                            | 1st quarter | Year | 1st quarter | Year |
|                            |             | (P)  |             |      |
| <b>Office</b>              |             |      |             |      |
| Monochrome copiers         | 15%         | 16%  | 15%         | 16%  |
| Color copiers              | 19%         | 20%  | 18%         | 19%  |
| Printers                   | 43%         | 41%  | 43%         | 42%  |
| Others                     | 23%         | 23%  | 24%         | 23%  |
| <b>Imaging System</b>      |             |      |             |      |
| Cameras                    | 59%         | 62%  | 62%         | 64%  |
| Inkjet printers            | 31%         | 29%  | 29%         | 27%  |
| Others                     | 10%         | 9%   | 9%          | 9%   |
| <b>Industry and Others</b> |             |      |             |      |
| Lithography equipment      | 18%         | 24%  | 16%         | 23%  |
| Others                     | 82%         | 76%  | 84%         | 77%  |

(P)=Projection

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

|                            | 2015        |          |
|----------------------------|-------------|----------|
|                            | 1st quarter | Year (P) |
| <b>Office</b>              |             |          |
| Japan                      | -6.7%       | -        |
| Overseas                   | -1.7%       | -        |
| Total                      | -2.8%       | +0.2%    |
| <b>Imaging System</b>      |             |          |
| Japan                      | -28.5%      | -        |
| Overseas                   | -12.8%      | -        |
| Total                      | -15.6%      | -6.8%    |
| <b>Industry and Others</b> |             |          |
| Japan                      | -12.4%      | -        |
| Overseas                   | +7.5%       | -        |
| Total                      | -1.8%       | +14.5%   |
| <b>Total</b>               |             |          |
| Japan                      | -13.9%      | +2.4%    |
| Overseas                   | -5.2%       | -1.5%    |
| Americas                   | -6.3%       | -1.6%    |
| Europe                     | -4.1%       | -3.4%    |
| Asia and Oceania           | -5.3%       | +1.1%    |
| Total                      | -7.1%       | -0.7%    |

(P)=Projection



**6. PROFITABILITY**

|        | 2015        |          | 2014        |      |
|--------|-------------|----------|-------------|------|
|        | 1st quarter | Year (P) | 1st quarter | Year |
| ROE *1 | 4.6%        | 8.5%     | 6.7%        | 8.7% |
| ROA *2 | 3.1%        | 5.7%     | 4.6%        | 5.9% |

(P)=Projection

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

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

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

|          | 2015        |                     |          | 2014        |        |
|----------|-------------|---------------------|----------|-------------|--------|
|          | 1st quarter | 2nd-4th quarter (P) | Year (P) | 1st quarter | Year   |
| Yen/US\$ | 119.25      | 120.00              | 119.84   | 102.69      | 106.18 |
| Yen/Euro | 133.89      | 130.00              | 130.92   | 140.77      | 140.62 |

(P)=Projection

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

|                  | (Billions of yen) |          |
|------------------|-------------------|----------|
|                  | 2015              | 2014     |
|                  | 1st quarter       | Year (P) |
| US\$             | +45.9             | +166.3   |
| Euro             | (11.5)            | (66.5)   |
| Other currencies | +6.6              | +25.8    |
| Total            | +41.0             | +125.6   |

(P)=Projection

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

|                     | (Billions of yen)   |      |
|---------------------|---------------------|------|
|                     | 2015                | 2014 |
|                     | 2nd-4th quarter (P) |      |
| On sales            |                     |      |
| US\$                | 12.0                |      |
| Euro                | 4.9                 |      |
| On operating profit |                     |      |
| US\$                | 4.4                 |      |
| Euro                | 2.2                 |      |

(P)=Projection

**8. STATEMENTS OF CASH FLOWS**

|  | 2015        |           | 2014        |           |
|--|-------------|-----------|-------------|-----------|
|  | 1st quarter | Year (P)  | 1st quarter | Year      |
| Net cash provided by operating activities                    | 99,452      | 528,000   | 132,254     | 583,927   |
| Net cash used in investing activities                        | (33,721)    | (568,000) | (56,475)    | (269,298) |
| Free cash flow   | 65,731      | (40,000)  | 75,779      | 314,629   |
| Net cash used in financing activities                        | (94,603)    | (179,800) | (125,744)   | (300,886) |
| Effect of exchange rate changes on cash and cash equivalents | (22,007)    | (24,800)  | (11,853)    | 41,928    |
| Net change in cash and cash equivalents                      | (50,879)    | (244,600) | (61,818)    | 55,671    |
| Cash and cash equivalents at end of period                   | 793,701     | 600,000   | 727,091     | 844,580   |

(P)=Projection

## 9. R&D EXPENDITURE

|                            | 2015        |          | 2014        |         | (Millions of yen) |
|----------------------------|-------------|----------|-------------|---------|-------------------|
|                            | 1st quarter | Year (P) | 1st quarter | Year    |                   |
|                            | Office      | 27,372   | -           | 24,686  | 104,391           |
| Imaging System             | 21,439      | -        | 20,940      | 87,510  |                   |
| Industry and Others        | 12,284      | -        | 6,194       | 26,516  |                   |
| Corporate and Eliminations | 18,144      | -        | 22,998      | 90,562  |                   |
| Total                      | 79,239      | 315,000  | 74,818      | 308,979 |                   |
| % of sales                 | 9.2%        | 8.2%     | 8.6%        | 8.3%    |                   |

(P)=Projection

## 10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

|                               | 2015             |          | 2014        |         | (Millions of yen) |
|-------------------------------|------------------|----------|-------------|---------|-------------------|
|                               | 1st quarter      | Year (P) | 1st quarter | Year    |                   |
|                               | Increase in PP&E | 45,202   | 205,000     | 38,054  | 182,343           |
| Depreciation and amortization | 64,416           | 275,000  | 61,352      | 263,480 |                   |

(P)=Projection

## 11. INVENTORIES

| (1) Inventories     | 2015    |         | 2014       |        | (Millions of yen) |
|---------------------|---------|---------|------------|--------|-------------------|
|                     | Mar.31  | Dec.31  | Difference |        |                   |
|                     | Office  | 242,882 | 238,344    | +4,538 |                   |
| Imaging System      | 185,832 | 168,802 | +17,030    |        |                   |
| Industry and Others | 134,118 | 121,021 | +13,097    |        |                   |
| Total               | 562,832 | 528,167 | +34,665    |        |                   |

| (2) Inventories/Sales* | 2015   |        | 2014       |     | (Days) |
|------------------------|--------|--------|------------|-----|--------|
|                        | Mar.31 | Dec.31 | Difference |     |        |
|                        | Office | 41     | 42         | (1) |        |
| Imaging System         | 51     | 43     | +8         |     |        |
| Industry and Others    | 154    | 132    | +22        |     |        |
| Total                  | 54     | 50     | +4         |     |        |

\*Index based on the previous six months sales.

## 12. DEBT RATIO

|                           | 2015   | 2014   | Difference |
|---------------------------|--------|--------|------------|
|                           | Mar.31 | Dec.31 |            |
| Total debt / Total assets | 0.0%   | 0.0%   | 0.0%       |

## 13. OVERSEAS PRODUCTION RATIO

| 2015        | 2014 |
|-------------|------|
| 1st quarter | Year |

Overseas production ratio      62%                  60%

**14. NUMBER OF EMPLOYEES**

|          | 2015    | 2014    | Difference |
|----------|---------|---------|------------|
|          | Mar.31  | Dec.31  |            |
| Japan    | 68,690  | 69,201  | (511)      |
| Overseas | 121,984 | 122,688 | (704)      |
| Total    | 190,674 | 191,889 | (1,215)    |

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