

CANON INC
Form 6-K
January 28, 2016

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

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

For the month of **January** **2016** ,

CANON INC.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

SIGNATURES

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

CANON INC.
(Registrant)

Date . **January 28, 2016**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama

Deputy Senior General Manager

Group Management Center

Canon Inc.

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

The following materials are included.

1. RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2015

RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2015

January 27, 2016

CONSOLIDATED RESULTS

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

	Actual			Projected		
	Year ended December 31, 2015	Year ended December 31, 2014	Change(%)	Year ended December 31, 2015	Year ending December 31, 2016	Change(%)
Net sales	¥ 3,800,271	¥ 3,727,252	+ 2.0	\$ 31,407,198	¥ 3,850,000	+ 1.3
Operating profit	355,210	363,489	- 2.3	2,935,620	360,000	+ 1.3
Income before income taxes	347,438	383,239	- 9.3	2,871,388	360,000	+ 3.6
Net income attributable to						
Canon Inc.	¥ 220,209	¥ 254,797	- 13.6	\$ 1,819,909	¥ 230,000	+ 4.4
Net income attributable to Canon Inc. shareholders per share:						
- Basic	¥ 201.65	¥ 229.03	- 12.0	\$ 1.67	¥ 210.61	+ 4.4
- Diluted	201.65	229.03	- 12.0	1.67	-	-

	Actual			As of December 31, 2015
	As of December 31, 2015	As of December 31, 2014	Change(%)	
Total assets	¥ 4,427,773	¥ 4,460,618	- 0.7	\$ 36,593,165
Canon Inc. shareholders equity	¥ 2,966,415	¥ 2,978,184	- 0.4	\$ 24,515,826

- 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 121= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2015, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

	Actual			
	Year ended December 31, 2015	Year ended December 31, 2014	Change(%)	Year ended December 31, 2015
Net sales	¥ 2,091,139	¥ 2,084,200	+ 0.3	\$ 17,282,140
Operating profit	169,238	204,937	- 17.4	1,398,661
Ordinary profit	269,818	249,348	+ 8.2	2,229,901
Net income	¥ 211,963	¥ 175,471	+ 20.8	\$ 1,751,760
Net income per share:				
- Basic	¥ 194.10	¥ 157.72	+ 23.1	\$ 1.60
- Diluted	194.10	157.72	+ 23.1	1.60
Dividend per share	150.00	150.00	-	1.24

	Actual			
	As of December 31, 2015	As of December 31, 2014	Change(%)	As of December 31, 2015
Total assets	¥ 2,437,924	¥ 2,315,680	+ 5.3	\$ 20,148,132
Net assets	¥ 1,484,157	¥ 1,447,322	+ 2.5	\$ 12,265,760

Notes: U.S. dollar amounts are translated from yen at the rate of JPY 121= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2015, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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I. Operating Results and Financial Conditions

2015 in Review

Looking back at the global economy in 2015, the U.S. economy continued to grow steadily as employment conditions and consumer spending progressively improved. In Europe, developed countries such as the U.K. led a moderate economic recovery. In contrast, China's economy continued to decline, weighed down by excessive investments, and the economies of emerging countries, including those of Southeast Asia and India, slowed due to such factors as the recession in China and a decline in resource prices. As for the Japanese economy, improvements were seen in both corporate earnings and employment conditions during the year. Despite expectations at the beginning of 2015 that the global economy would realize a modest recovery led by the U.S. economy, during the second half, as the slowdown in China's economy became evident, emerging economies also grew weaker. As a result, the global economy overall experienced its lowest level of growth since the financial crisis precipitated by Lehman Brothers' bankruptcy in 2008.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) remained firm, mainly for color models. As for cameras, the interchangeable-lens digital camera market continued to face harsh conditions owing to currency depreciations in emerging countries and the slowdown in China. Likewise, demand for digital compact cameras also declined amid the shrinking market. Additionally, demand for inkjet printers decreased in emerging countries, mainly in Asia, due to the depreciations of emerging country currencies and the slowdown in China. In the industrial equipment market, ongoing strong investment by manufacturers led to healthy demand for semiconductor lithography systems for memory devices, image sensors and power semiconductor devices. Additionally, demand for lithography equipment used in the production of flat panel displays (FPDs) increased for large-size panels as device manufacturers boost capital investment for larger-size LCD panels that offer higher levels of resolution.

The average value of the yen during the year was ¥121.13 against the U.S. dollar, a year-on-year depreciation of approximately ¥15, and ¥134.20 against the euro, a year-on-year appreciation of approximately ¥6.

During 2015, sales of digital cameras and inkjet printers declined in the face of continued harsh conditions, mainly in China and emerging Asian countries. By contrast, sales of color-model office MFDs and color-model light-production printing systems increased steadily. Sales of semiconductor lithography equipment and FPD lithography equipment also largely exceeded those for the previous year thanks to favorable market conditions. Consequently, benefitting from the boost provided by the acquisition of Axis and the positive effect of favorable currency exchange rates, net sales for the year increased 2.0% year on year to ¥3,800.3 billion. The gross profit ratio for the year rose 1.0 point year on year to 50.9% thanks to ongoing cost-cutting activities and highly profitable new products. Operating expenses increased 5.4% year on year to ¥1,579.2 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 impact of the acquisition of Axis and an increase in R&D expenses related to new products. As a result, operating profit decreased by 2.3% to ¥355.2 billion. Other income (deductions) decreased by ¥27.5 billion due to foreign currency exchange losses, leading to a year-on-year decline in income before income taxes of 9.3% to ¥347.4 billion, and a decrease in net income attributable to Canon Inc. of 13.6% to ¥220.2 billion.

Basic net income attributable to Canon Inc. shareholders per share for the year was ¥201.65, a year-on-year decrease of ¥27.38.

Results by Segment

Looking at Canon's full-year performance by business unit, within the Office Business Unit, as for office MFDs, thanks to strong sales of color models led by new small-office/home-office color A3 (12 x18 ") imageRUNNER ADVANCE C3300-series models and imagePRESS C800/700-series color digital presses targeting the light production market, unit sales of color models increased compared with the previous year, as did unit sales for the segment overall, including monochrome models, which had been facing decreasing demand. Among high-speed continuous-feed printers, the new Océ-produced VarioPrint i300, Canon's first high-speed sheet-fed color inkjet press, gained favorable reviews. As for laser printers, total sales volume decreased due to declining demand in emerging countries. Those factors, coupled with the positive effect of favorable currency exchange rates, resulted in sales for the business unit totaling ¥2,110.8 billion, a year-on-year increase of 1.5%, while operating profit totaled ¥290.6 billion, a year-on-year decrease of 0.5%.

Within the Imaging System Business Unit, although total sales volume of interchangeable-lens digital cameras declined due to currency depreciations in emerging countries and the slowdown of China's economy, there were positive signs of a recovery in sales in the U.S. and Japan. Additionally, sales have been strong for such models as the EOS 5DS and EOS 5DS R digital SLR cameras, which deliver the highest resolution of any model in the history of EOS cameras. As for digital compact cameras, while sales volume declined amid the ongoing contraction of the market, the ratio of more profitable high-added-value models increased owing to efforts to strengthen the lineup of PowerShot G-series models. As for inkjet printers, although Canon has been working to expand sales through the Company's broad product lineup, ranging from home-use printers to MAXIFY-series business models, total sales volume declined due to the significant impact of shrinking markets, mainly in Asia. In contrast, sales of consumable supplies enjoyed solid demand. As a result, sales for the business unit totaled ¥1,263.8 billion, a year-on-year decrease of 5.9%, while operating profit totaled ¥183.4 billion, declining 5.7% year on year.

In the Industry and Others Business Unit, within the semiconductor lithography equipment segment, unit sales increased owing to strong capital investment in response to growing demand for memory devices used in mobile devices such as smartphones, and in cloud servers, along with increased demand for on-board automotive devices and for communication devices supporting the development of the IoT (Internet of Things). Unit sales of FPD lithography equipment also increased, particularly systems used in the fabrication of large-size panels. Consequently, along with the impact of the acquisition of Axis, which was consolidated in the second quarter, sales for the business unit increased 31.6% year on year to ¥524.7 billion. As for operating profit, although it improved by ¥8.7 billion compared with the previous year, the business unit was in the red by ¥13.1 billion due to upfront investment in next-generation technologies and new businesses.

Cash Flow

During 2015, cash flow from operating activities totaled ¥474.7 billion, a decrease of ¥109.2 billion compared with the previous year due to the decrease in profit along with the increase in working capital. Cash flow from investing activities increased ¥184.3 billion year on year to ¥453.6 billion, mainly due to the payment for the acquisition of Axis. Accordingly, free cash flow totaled ¥21.1 billion, a decrease of ¥293.5 billion compared with the previous year.

Cash flow from financing activities recorded an outlay of ¥210.2 billion, mainly arising from the dividend payout.

Owing to these factors, as well as the negative impact of foreign currency translation adjustments, cash and cash equivalents decreased by ¥211.0 billion to ¥633.6 billion from the end of the previous year.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,091.1 billion, a year-on-year increase of 0.3% while ordinary profit increased by 8.2% to ¥269.8 billion, and net income increased by 20.8% to ¥212.0 billion.

Outlook

As for the outlook in 2016, the U.S. and European economies are expected to grow moderately thanks to expanding domestic demand as employment conditions continue to improve. With regard to the Japanese economy, the outlook indicates a gradual recovery trend amid increased capital investment and wage growth supported by improved corporate earnings. Looking at China's economy, the slowdown is expected to continue due to sluggish domestic demand and capital investment. Emerging economies, such as those of Southeast Asia, India, Brazil and Russia, are likely to face slowdowns owing to currency depreciations or declines in resource prices. Overall, the global economy is expected to face harsh economic conditions for some time.

In the businesses in which Canon is involved, although demand for color office MFDs and production printers is expected to continue growing, a recovery in sales of products that are largely sold in emerging markets, such as entry-class cameras and single-function laser printers, is expected to take time. Within the market for semiconductor lithography equipment, capital investment is expected to remain strong while forecasts for the FPD lithography equipment market also point to further future expansion. Also expected to grow is the network camera market, a market in which Axis, which became a consolidated subsidiary in 2015, is a major player.

With regard to currency exchange rates for the year, on which the Company's performance outlook is based, taking into account the expectation of a strong U.S. dollar supported by continuous interest rates hikes in the future, Canon anticipates exchange rates of ¥120 to the U.S. dollar and ¥130 to the euro, representing appreciations of approximately ¥1 against the U.S. dollar and approximately ¥4 against the euro.

Taking these foreign exchange rate assumptions into consideration and the current economic forecast, Canon projects full-year consolidated net sales in 2016 of ¥3,850.0 billion, a year-on-year increase of 1.3%; operating profit of ¥360.0 billion, a year-on-year increase of 1.3%; income before income taxes of ¥360.0 billion, a year-on-year increase of 3.6%; and net income attributable to Canon Inc. of ¥230.0 billion, a year-on-year increase of 4.4%.

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

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

In 2015, the business environment remained challenging, characterized by, among other factors, economic slowdowns in China and emerging countries. Thanks, however, to efforts to boost product competitiveness and strengthen the Company's financial position through a management focus on profitability and cash flow, Canon was able to generate ample cash reserves. Taking this into consideration while seeking to actively provide a stable return to shareholders, Canon has decided to distribute a full-year dividend of ¥150 per share, (interim dividend of ¥75 per share [already distributed] and year-end dividend of ¥75), which is the same as the previous year's dividend.

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

II. Management Policy

(1) Basic Policy

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

(2) Management Goals

Based on this basic management policy, Canon launched the Excellent Global Corporation Plan in 1996 with the aim of improving corporate value, promoting management reform, raising product competitiveness and strengthening its financial base. In 2011, under the slogan "Aiming for the Summit," Canon embarked on a new five-year initiative: Phase IV of the Excellent Global Corporation Plan. Under this initiative, Canon aimed to make large strides toward becoming a truly excellent corporation, targeting sound business growth through measures aimed at maintaining high profitability and further expanding corporate scale.

Over the five years that followed, however, the global economy proved highly challenging due to such factors as Europe's financial crisis and further economic slowdowns in China and other emerging markets. In response, Canon charted a new course away from a management focus targeting expansion to a strategy aimed at strengthening its financial condition. In this way, the Company aimed to achieve a structure capable of withstanding the recession, while also restructuring business foundations representing new growth engines to facilitate great strides in the future.

During Phase V, launched in 2016 under the basic policy of "Embracing the challenge of new growth through a grand strategic transformation," reforms that were promoted in Phase IV will be further expanded upon. In 2020, the final year of Phase V, Canon aims to achieve net sales of 5 trillion yen, an operating profit ratio of 15% or more, a net income ratio of 10% or more, and a shareholders' equity ratio of 70% or more.

(3) Business Challenges and Countermeasures

Although the global economy is expected to be somewhat better than what it had been over the past five years, the situation remains unstable due to issues such as increased geopolitical risk in the Middle East and the economic slowdown in China. As such, global economic growth is expected to remain modest. From an industrial perspective, however, remarkable developments are being made in technologies in such areas as the IoT and artificial intelligence, which are leading to major changes in industry structure.

Advancements in digital technology have made it easier for startup companies to enter markets, thus fueling increased market competition. Additionally, in the markets in which Canon participates, the office equipment and digital camera markets continue to mature.

To realize new growth and overcome these changes in the market environment, Canon will work to reform all aspects of development, production and sales to further promote enhanced profitability and the rollout of new businesses.

The following key strategies have been drafted for, and will be actively implemented during, Phase V.

1. Establish a new production system to achieve a cost-of-sales ratio of 45%

Strengthen domestic mother factories by further promoting the return of production to Japan and the integration of design, procurement, production engineering, and manufacturing technology operations. At the same time, pursue

total cost reductions through the promotion of such advanced production engineering technologies as robotics and automation.

2. Reinforce and expand new businesses while creating future businesses

Create and expand new businesses by accelerating the horizontal expansion of existing business. Additionally, concentrate management resources and make effective use of M&A to accelerate the expansion of promising business areas such as commercial printing, network cameras and life sciences.

3. Restructure the global sales network in accordance with market changes

Review existing sales organizations and reinforce omni-channel marketing that integrates online and brick-and-mortar sales routes while strengthening and expanding solutions-driven businesses with the aim of solving issues faced by customers. Additionally, continue focusing energies on developing marketing in emerging countries.

4. Enhance R&D capabilities through open innovation

Discard the strict notion of self-sufficiency and construct an R&D system that proactively leverages external technologies and knowledge, promoting joint and contract research with various partners such as domestic and foreign universities and research institutes.

5. Complete the Three Regional Headquarters management system capturing world dynamism

Promote the acquisition of promising businesses through active M&A and complete the Three Regional Headquarter management system, under which Japan, the U.S. and Europe will each roll out businesses globally.

Additionally, under the theme "Taking a decisive first step toward transformation," the following key challenges will be pursued in 2016, the inaugural year of Phase V.

1. Draft and implement plans to revitalize existing businesses

Raise profitability through drastic cost-cutting and work to revitalize businesses, swiftly launching future products that were exhibited at Canon EXPO 2015.

2. Rapidly expand new businesses

Work to speed up the expansion and deployment of large-scale businesses such as commercial printing and network cameras.

3. Accelerate efforts aimed at reducing the cost-of-sales ratio

Continue to investigate optimal locations for production sites and work to accelerate cost reductions at all stages, including product development.

4. Boost sales productivity through marketing reforms

Accelerate efforts to address global growth in e-commerce and work to reinforce the solutions business.

5. Improve R&D productivity through selection and concentration

Apply the selection and concentration process to development themes and boost R&D productivity.

6. Promote the cultivation of global human resources

Build a structure to discover talented individuals from within the entire Canon Group to cultivate global competent human resources capable of performing duties while maintaining an all-encompassing perspective of the world map.

III. Basic Concept Regarding the Selection of Accounting Standards

Canon is listed on the New York Stock Exchange and, since registering its American Depositary Receipts on the OTC (over-the-counter) market in 1969, has prepared its consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) over the long term.

Canon has continued to adopt U.S. GAAP in order to maintain the continuity of financial statements from the past and to maintain international comparability.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	Millions of yen			Change
	As of December 31, 2015	As of December 31, 2014		
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 633,613	¥ 844,580	¥	(210,967)
Short-term investments	20,651	71,863		(51,212)
Trade receivables, net	588,001	625,675		(37,674)
Inventories	501,895	528,167		(26,272)
Prepaid expenses and other current assets	313,019	321,648		(8,629)
Total current assets	2,057,179	2,391,933		(334,754)
Noncurrent receivables	29,476	29,785		(309)
Investments	67,862	65,176		2,686
Property, plant and equipment, net	1,219,652	1,269,529		(49,877)
Intangible assets, net	241,208	177,288		63,920
Goodwill	478,943	211,336		267,607
Other assets	333,453	315,571		17,882
Total assets	¥ 4,427,773	¥ 4,460,618	¥	(32,845)
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 688	¥ 1,018	¥	(330)
Trade payables	278,255	310,214		(31,959)
Accrued income taxes	47,431	57,212		(9,781)
Accrued expenses	317,653	345,237		(27,584)
Other current liabilities	171,302	207,698		(36,396)
Total current liabilities	815,329	921,379		(106,050)
Long-term debt, excluding current installments	881	1,148		(267)
Accrued pension and severance cost	296,262	280,928		15,334
Other noncurrent liabilities	130,838	116,405		14,433
Total liabilities	1,243,310	1,319,860		(76,550)

Equity:

Canon Inc. shareholders' equity:

Common stock	174,762	174,762	-
Additional paid-in capital	401,358	401,563	(205)
Legal reserve	65,289	64,599	690
Retained earnings	3,365,158	3,320,392	44,766
Accumulated other comprehensive income (loss)	(29,742)	28,286	(58,028)
Treasury stock, at cost	(1,010,410)	(1,011,418)	1,008
Total Canon Inc. shareholders' equity	2,966,415	2,978,184	(11,769)
Noncontrolling interests	218,048	162,574	55,474
Total equity	3,184,463	3,140,758	43,705
Total liabilities and equity	¥ 4,427,773	¥ 4,460,618	¥ (32,845)

Millions of yen

	As of December 31, 2015	As of December 31, 2014
Notes:		
1. Allowance for doubtful receivables	¥ 12,077	¥ 12,122
2. Accumulated depreciation	2,570,806	2,519,259
3. Accumulated other comprehensive income (loss):		
Foreign currency translation adjustments	87,038	144,557
Net unrealized gains and losses on securities	14,055	12,546
Net gains and losses on derivative instruments	182	(2,603)
Pension liability adjustments	(131,017)	(126,214)

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME ANDCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**Consolidated statements of income****Results for the fourth quarter**

	Millions of yen		Change(%)
	Three months ended December 31, 2015	Three months ended December 31, 2014	
Net sales	¥ 1,042,638	¥ 1,059,936	- 1.6
Cost of sales	519,830	544,922	
Gross profit	522,808	515,014	+ 1.5
Operating expenses:			
Selling, general and administrative expenses	332,471	334,398	
Research and development expenses	83,295	82,147	
	415,766	416,545	
Operating profit	107,042	98,469	+ 8.7
Other income (deductions):			
Interest and dividend income	1,196	2,157	
Interest expense	(73)	(140)	
Other, net	796	6,423	
	1,919	8,440	
Income before income taxes	108,961	106,909	+ 1.9
Income taxes	35,660	34,594	
Consolidated net income	73,301	72,315	
Less: Net income attributable to noncontrolling interests	4,397	4,225	
Net income attributable to Canon Inc.	¥ 68,904	¥ 68,090	+ 1.2

Results for the fiscal year

	Millions of yen		Change(%)
	Year ended December 31, 2015	Year ended December 31, 2014	

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Net sales	¥ 3,800,271	¥	3,727,252	+	2.0
Cost of sales	1,865,887		1,865,780		
Gross profit	1,934,384		1,861,472	+	3.9
Operating expenses:					
Selling, general and administrative expenses	1,250,674		1,189,004		
Research and development expenses	328,500		308,979		
	1,579,174		1,497,983		
Operating profit	355,210		363,489	-	2.3
Other income (deductions):					
Interest and dividend income	5,501		7,906		
Interest expense	(584)		(500)		
Other, net	(12,689)		12,344		
	(7,772)		19,750		
Income before income taxes	347,438		383,239	-	9.3
Income taxes	116,105		118,000		
Consolidated net income	231,333		265,239		
Less: Net income attributable to noncontrolling interests	11,124		10,442		
Net income attributable to Canon Inc.	¥ 220,209	¥	254,797	-	13.6

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Consolidated statements of comprehensive income

Results for the fourth quarter

	Millions of yen		Change(%)	
	Three months ended December 31, 2015	Three months ended December 31, 2014		
Consolidated net income	¥ 73,301	¥ 72,315	+	1.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(3,984)	120,573		
Net unrealized gains and losses on securities	2,779	1,879		
Net gains and losses on derivative instruments	(65)	(1,569)		
Pension liability adjustments	(5,529)	(50,765)		
	(6,799)	70,118		
Comprehensive income	66,502	142,433	-	53.3
Less: Comprehensive income attributable to noncontrolling interests	3,420	3,127		
Comprehensive income attributable to Canon Inc.	¥ 63,082	¥ 139,306	-	54.7

Results for the fiscal year

	Millions of yen		Change(%)	
	Year ended December 31, 2015	Year ended December 31, 2014		
Consolidated net income	¥ 231,333	¥ 265,239	-	12.8
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(55,504)	143,834		
Net unrealized gains and losses on securities	2,010	2,524		
Net gains and losses on derivative instruments	2,785	(195)		
Pension liability adjustments	(6,543)	(37,985)		
	(57,252)	108,178		
Comprehensive income	174,081	373,417	-	53.4
Less: Comprehensive income attributable to noncontrolling interests	11,973	9,666		
Comprehensive income attributable to Canon Inc.	¥ 162,108	¥ 363,751	-	55.4

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES**Results for the fourth quarter**

Sales by business unit	Millions of yen		Change(%)
	Three months ended December 31, 2015	Three months ended December 31, 2014	
Office	¥ 534,007	¥ 564,813	- 5.5
Imaging System	366,183	402,165	- 8.9
Industry and Others	166,211	116,695	+ 42.4
Eliminations	(23,763)	(23,737)	-
Total	¥ 1,042,638	¥ 1,059,936	- 1.6

Sales by region	Millions of yen		Change(%)
	Three months ended December 31, 2015	Three months ended December 31, 2014	
Japan	¥ 203,737	¥ 207,754	- 1.9
Overseas:			
Americas	311,596	309,855	+ 0.6
Europe	300,727	312,375	- 3.7
Asia and Oceania	226,578	229,952	- 1.5
	838,901	852,182	- 1.6
Total	¥ 1,042,638	¥ 1,059,936	- 1.6

Results for the fiscal year

Sales by business unit	Millions of yen		Change(%)
	Year ended December 31, 2015	Year ended December 31, 2014	
Office	¥ 2,110,816	¥ 2,078,732	+ 1.5
Imaging System	1,263,835	1,343,194	- 5.9
Industry and Others	524,651	398,765	+ 31.6
Eliminations	(99,031)	(93,439)	-
Total	¥ 3,800,271	¥ 3,727,252	+ 2.0

Millions of yen

Sales by region	Year ended December 31, 2015	Year ended December 31, 2014	Change(%)
Japan	¥ 714,280	¥ 724,317	- 1.4
Overseas:			
<i>Americas</i>	1,144,422	1,036,500	+ 10.4
<i>Europe</i>	1,074,366	1,090,484	- 1.5
<i>Asia and Oceania</i>	867,203	875,951	- 1.0
	3,085,991	3,002,935	+ 2.8
Total	¥3,800,271	¥ 3,727,252	+ 2.0

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 EQUITY

Millions of yen

	Common Stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. shareholders equity	Noncontrolling interests	Total
at er 31,	¥ 174,762	¥ 402,029	¥ 63,091	¥ 3,212,692	¥ (80,646)	¥ (861,666)	¥ 2,910,262	¥ 156,515	¥ 3,
ons									
rolling and		(420)		216	(22)		(226)	(658)	
ds to nc. ders				(145,790)			(145,790)		(
ds to rolling								(2,949)	
s to erve			1,508	(1,508)			-		
ensive									
me				254,797			254,797	10,442	1
ensive (loss), x:									
on									
ents					142,813		142,813	1,021	
alized									
d losses									
ities					2,301		2,301	223	

s and									
n									
e									
nts					(195)		(195)		-
liability									
nts					(35,965)		(35,965)		(2,020)
ensive									
ases		(46)		(15)		(149,752)	(149,813)		
suance									
ry stock									
at									
er 31,	¥ 174,762	¥ 401,563	¥ 64,599	¥ 3,320,392	¥ 28,286	¥ (1,011,418)	¥ 2,978,184	¥ 162,574	¥ 3,
ions									
rolling									
s and									
		(29)			73		44		(29,627)
ds to									
nc.									
lders					(174,711)		(174,711)		
ds to									
rolling									
s									(3,958)
tion of									
ries									77,086
rs to									
serve			690	(690)			-		
ensive									
me				220,209			220,209		11,124
ensive									
(loss),									
x:									
y									
ion									
nts					(57,592)		(57,592)		2,088
realized									
nd losses									
ities					1,509		1,509		501
s and					2,785		2,785		-
n									

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at
er 31,

(4,803)

(4,803)

(1,740)

162,108

11,973

(176)

(42)

1,008

790

¥ 174,762

¥ 401,358

¥ 65,289

¥ 3,365,158

¥ (29,742)

¥ (1,010,410)

¥ 2,966,415

¥ 218,048

¥ 3,

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities:		
Consolidated net income	¥ 231,333	¥ 265,239
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	273,327	263,480
Loss on disposal of fixed assets	7,975	12,429
Deferred income taxes	4,672	8,929
Decrease in trade receivables	22,720	9,323
Decrease in inventories	14,249	59,004
Decrease in trade payables	(17,288)	(24,620)
Increase (decrease) in accrued income taxes	(8,731)	3,586
Increase (decrease) in accrued expenses	(25,529)	11,124
Increase (decrease) in accrued (prepaid) pension and severance cost	4,622	(6,305)
Other, net	(32,626)	(18,262)
Net cash provided by operating activities	474,724	583,927
Cash flows from investing activities:		
Purchases of fixed assets	(252,948)	(218,362)
Proceeds from sale of fixed assets	3,824	3,994
Purchases of available-for-sale securities	(98)	(311)
Proceeds from sale and maturity of available-for-sale securities	804	2,606
(Increase) decrease in time deposits, net	47,665	(14,223)
Acquisitions of businesses, net of cash acquired	(251,534)	(54,772)
Purchases of other investments	(1,220)	-
Other, net	(112)	11,770
Net cash used in investing activities	(453,619)	(269,298)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	717	1,377
Repayments of long-term debt	(1,350)	(2,152)
Decrease in short-term loans, net	-	(54)
Purchases of noncontrolling interests	(29,570)	-
Dividends paid	(174,711)	(145,790)
Repurchases and reissuance of treasury stock	790	(149,813)
Other, net	(6,078)	(4,454)
Net cash used in financing activities	(210,202)	(300,886)
Effect of exchange rate changes on cash and cash equivalents	(21,870)	41,928

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Net change in cash and cash equivalents	(210,967)		55,671
Cash and cash equivalents at beginning of year	844,580		788,909
Cash and cash equivalents at end of year	¥ 633,613	¥	844,580

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

Results for the fourth quarter	Millions of yen		Change(%)
	Three months ended December 31, 2015	Three months ended December 31, 2014	
Office			
Net sales:			
External customers	¥ 533,366	¥ 564,349	- 5.5
Intersegment	641	464	+ 38.1
Total	534,007	564,813	- 5.5
Operating cost and expenses	461,764	491,224	- 6.0
Operating profit	¥ 72,243	¥ 73,589	- 1.8
Imaging System			
Net sales:			
External customers	¥ 365,944	¥ 401,958	- 9.0
Intersegment	239	207	+ 15.5
Total	366,183	402,165	- 8.9
Operating cost and expenses	304,057	343,898	- 11.6
Operating profit	¥ 62,126	¥ 58,267	+ 6.6
Industry and Others			
Net sales:			
External customers	¥ 143,328	¥ 93,629	+ 53.1
Intersegment	22,883	23,066	- 0.8
Total	166,211	116,695	+ 42.4
Operating cost and expenses	168,995	123,436	+ 36.9

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Operating profit	¥ (2,784)	¥ (6,741)	-	
Corporate and Eliminations				
Net sales:				
External customers	¥ -	¥ -	-	
Intersegment	(23,763)	(23,737)	-	
Total	(23,763)	(23,737)	-	
Operating cost and expenses	780	2,909	-	
Operating profit	¥ (24,543)	¥ (26,646)	-	
Consolidated				
Net sales:				
External customers	¥ 1,042,638	¥ 1,059,936	-	1.6
Intersegment	-	-	-	-
Total	1,042,638	1,059,936	-	1.6
Operating cost and expenses	935,596	961,467	-	2.7
Operating profit	¥ 107,042	¥ 98,469	+	8.7

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

	Millions of yen			
	Year ended	Year ended	Change(%)	
	December 31, 2015	December 31, 2014		
Office				
Net sales:				
External customers	¥ 2,108,246	¥ 2,075,788	+	1.6
Intersegment	2,570	2,944	-	12.7
Total	2,110,816	2,078,732	+	1.5
Operating cost and expenses	1,820,230	1,786,675	+	1.9
Operating profit	290,586	292,057	-	0.5
Total assets	1,020,758	1,025,499	-	0.5
Depreciation and amortization	86,206	87,058	-	1.0
Capital expenditures	¥ 73,819	¥ 69,704	+	5.9
Imaging System				
Net sales:				
External customers	¥ 1,262,667	¥ 1,342,501	-	5.9
Intersegment	1,168	693	+	68.5
Total	1,263,835	1,343,194	-	5.9
Operating cost and expenses	1,080,396	1,148,593	-	5.9
Operating profit	183,439	194,601	-	5.7
Total assets	452,283	517,524	-	12.6
Depreciation and amortization	52,070	53,912	-	3.4
Capital expenditures	¥ 38,337	¥ 31,124	+	23.2
Industry and Others				
Net sales:				
External customers	¥ 429,358	¥ 308,963	+	39.0
Intersegment	95,293	89,802	+	6.1
Total	524,651	398,765	+	31.6
Operating cost and expenses	537,730	420,566	+	27.9

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Operating profit	(13,079)		(21,801)		-
Total assets	332,252		342,695	-	3.0
Depreciation and amortization	45,064		37,544	+	20.0
Capital expenditures	¥ 24,241	¥	15,976	+	51.7

Corporate and Eliminations

Net sales:					
External customers	¥ -	¥	-		-
Intersegment	(99,031)		(93,439)		-
Total	(99,031)		(93,439)		-
Operating cost and expenses	6,705		7,929		-
Operating profit	(105,736)		(101,368)		-
Total assets	2,622,480		2,574,900	+	1.8
Depreciation and amortization	89,987		84,966	+	5.9
Capital expenditures	¥ 106,733	¥	107,956	-	1.1

Consolidated

Net sales:					
External customers	¥ 3,800,271	¥	3,727,252	+	2.0
Intersegment	-		-		-
Total	3,800,271		3,727,252	+	2.0
Operating cost and expenses	3,445,061		3,363,763	+	2.4
Operating profit	355,210		363,489	-	2.3
Total assets	4,427,773		4,460,618	-	0.7
Depreciation and amortization	273,327		263,480	+	3.7
Capital expenditures	¥ 243,130	¥	224,760	+	8.2

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

Results for the fourth quarter

	Millions of yen			
	Three months ended December 31, 2015	Three months ended December 31, 2014		Change(%)
Japan				
Net sales:				
External customers	¥ 254,629	¥ 232,313	+	9.6
Intersegment	411,937	472,681	-	12.9
Total	666,566	704,994	-	5.5
Operating cost and expenses	584,817	614,103	-	4.8
Operating profit	¥ 81,749	¥ 90,891	-	10.1
Americas				
Net sales:				
External customers	¥ 310,466	¥ 308,536	+	0.6
Intersegment	5,717	3,541	+	61.5
Total	316,183	312,077	+	1.3
Operating cost and expenses	305,167	303,655	+	0.5
Operating profit	¥ 11,016	¥ 8,422	+	30.8
Europe				
Net sales:				
External customers	¥ 301,590	¥ 311,270	-	3.1
Intersegment	28,869	18,591	+	55.3
Total	330,459	329,861	+	0.2
Operating cost and expenses	324,958	320,771	+	1.3
Operating profit	¥ 5,501	¥ 9,090	-	39.5
Asia and Oceania				
Net sales:				
External customers	¥ 175,953	¥ 207,817	-	15.3

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Intersegment		198,596		220,317	-	9.9
Total		374,549		428,134	-	12.5
Operating cost and expenses		365,632		416,437	-	12.2
Operating profit	¥	8,917	¥	11,697	-	23.8
Corporate and Eliminations						
Net sales:						
External customers	¥	-	¥	-	-	-
Intersegment		(645,119)		(715,130)	-	-
Total		(645,119)		(715,130)	-	-
Operating cost and expenses		(644,978)		(693,499)	-	-
Operating profit	¥	(141)	¥	(21,631)	-	-
Consolidated						
Net sales:						
External customers	¥	1,042,638	¥	1,059,936	-	1.6
Intersegment		-		-	-	-
Total		1,042,638		1,059,936	-	1.6
Operating cost and expenses		935,596		961,467	-	2.7
Operating profit	¥	107,042	¥	98,469	+	8.7

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

		Millions of yen			
		Year ended			
		December 31, 2015	December 31, 2014	Change(%)	
Japan					
Net sales:					
External customers	¥	847,669	¥ 836,801	+	1.3
Intersegment		1,765,840	1,752,378	+	0.8
Total		2,613,509	2,589,179	+	0.9
Operating cost and expenses		2,285,780	2,245,930	+	1.8
Operating profit		327,729	343,249	-	4.5
Total assets	¥	969,805	¥ 1,134,484	-	14.5
Americas					
Net sales:					
External customers	¥	1,138,830	¥ 1,033,797	+	10.2
Intersegment		21,069	8,738	+	141.1
Total		1,159,899	1,042,535	+	11.3
Operating cost and expenses		1,130,099	1,018,661	+	10.9
Operating profit		29,800	23,874	+	24.8
Total assets	¥	544,395	¥ 531,122	+	2.5
Europe					
Net sales:					
External customers	¥	1,077,033	¥ 1,088,293	-	1.0
Intersegment		106,675	59,493	+	79.3
Total		1,183,708	1,147,786	+	3.1
Operating cost and expenses		1,165,218	1,135,515	+	2.6
Operating profit		18,490	12,271	+	50.7
Total assets	¥	409,357	¥ 484,858	-	15.6

Asia and Oceania

Net sales:

External customers	¥	736,739	¥	768,361	-	4.1
Intersegment		911,395		821,600	+	10.9
Total		1,648,134		1,589,961	+	3.7
Operating cost and expenses		1,582,113		1,522,244	+	3.9
Operating profit		66,021		67,717	-	2.5
Total assets	¥	620,090	¥	674,672	-	8.1

Corporate and Eliminations

Net sales:

External customers	¥	-	¥	-	-	-
Intersegment		(2,804,979)		(2,642,209)		-
Total		(2,804,979)		(2,642,209)		-
Operating cost and expenses		(2,718,149)		(2,558,587)		-
Operating profit		(86,830)		(83,622)		-
Total assets	¥	1,884,126	¥	1,635,482		-

Consolidated

Net sales:

External customers	¥	3,800,271	¥	3,727,252	+	2.0
Intersegment		-		-		-
Total		3,800,271		3,727,252	+	2.0
Operating cost and expenses		3,445,061		3,363,763	+	2.4
Operating profit		355,210		363,489	-	2.3
Total assets	¥	4,427,773	¥	4,460,618	-	0.7

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

	December 31, 2015	December 31, 2014	Change
Subsidiaries	317	261	56
Affiliates	5	7	(2)
Total	322	268	54

2. Change in Group Entities

Subsidiaries	
Addition:	61 companies
Removal:	5 companies

Affiliates (Carried at Equity Basis)	
Removal:	2 companies

3. Subsidiaries Listed on Domestic Stock Exchange

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

(2) SIGNIFICANT ACCOUNTING POLICIES

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Results for the fiscal year	Millions of yen	
	Year ended December 31, 2015	Year ended December 31, 2014
Net income attributable to Canon Inc.		
-Basic	¥ 220,209	¥ 254,797
-Diluted	220,209	254,797
	Number of shares	
Average common shares outstanding		
-Basic	1,092,017,955	1,112,509,931
-Diluted	1,092,052,886	1,112,514,324
	Yen	
Net income attributable to Canon Inc. shareholders per share:		
-Basic	¥ 201.65	¥ 229.03
-Diluted	201.65	229.03

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

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

(3) SUBSEQUENT EVENT

There is no significant subsequent event.

CANON INC.

NON-CONSOLIDATED

10. NON-CONSOLIDATED BALANCE SHEETS

(Parent company only)

	Millions of yen	
	As of December 31, 2015	As of December 31, 2014
ASSETS		
Current assets:		
Cash	¥ 100,836	¥ 34,362
Trade receivables	450,449	596,293
Marketable securities	18,070	54,740
Inventories	148,485	151,272
Prepaid expenses and other current assets	154,575	187,930
Allowance for doubtful receivables	(1)	(86)
 Total current assets	 872,414	 1,024,511
Fixed assets:		
Net property, plant and equipment	659,258	666,588
Intangibles	25,578	31,152
Investments and other fixed assets	880,769	593,502
Allowance for doubtful receivables-noncurrent	(95)	(73)
 Total fixed assets	 1,565,510	 1,291,169
 Total assets	 ¥ 2,437,924	 ¥ 2,315,680
LIABILITIES AND NET ASSETS		
Current liabilities:		
Trade payables	¥ 301,792	¥ 291,693

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Short-term loans	461,686	365,441
Accrued income taxes	22,805	32,028
Accrued warranty expenses	3,920	2,622
Accrued bonuses for employees	4,606	4,476
Accrued bonuses for directors	144	199
Other current liabilities	108,269	132,163
Total current liabilities	903,222	828,622
Noncurrent liabilities:		
Accrued pension and severance cost	45,985	34,690
Reserve for environmental provision	1,618	2,075
Accrued long service rewards for employees	1,449	1,304
Other noncurrent liabilities	1,493	1,667
Total noncurrent liabilities	50,545	39,736
Total liabilities	953,767	868,358
Net assets:		
Shareholders' equity	1,473,935	1,438,668
Valuation and translation adjustments	9,091	7,101
Subscription rights to shares	1,131	1,553
Total net assets	1,484,157	1,447,322
Total liabilities and net assets	¥ 2,437,924	¥ 2,315,680

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED STATEMENTS OF INCOME

(Parent company only)

Millions of yen

	Year ended December 31, 2015	Year ended December 31, 2014
Net sales	¥ 2,091,139	¥ 2,084,200
Cost of sales	1,461,270	1,441,204
Gross profit	629,869	642,996
Selling, general and administrative expenses	460,631	438,059
Operating profit	169,238	204,937
Other income (deductions):		
Interest and dividend income	103,788	36,837
Interest expense	(2,124)	(1,687)
Other, net	(1,084)	9,261
	100,580	44,411
Ordinary profit	269,818	249,348
Non-ordinary gain (loss), net	(2,447)	(7,326)
Income before income taxes	267,371	242,022
Income taxes	55,408	66,551
Net income	¥ 211,963	¥ 175,471

CANON INC.

NON-CONSOLIDATED

12. NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Parent company only)

Year ended December 31, 2015

(Millions of yen)

Shareholders' equity						Valuation and translation adjustments			
Retained earnings						Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred profit (losses) on hedge
Legal reserve	Reserve for special depreciation	Reserve for deferral of capital gain on property	Special reserves	Retained earnings brought forward	Other retained earnings				
2,288	¥ 22,114	¥ 341	¥ 3,693	¥ 1,249,928	¥ 692,960	¥ (1,011,418)	¥ 1,438,668	¥ 7,780	¥ (6,000)
				(2,951)			(2,951)		

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,288 ¥ 22,114 ¥ 341 ¥ 3,693 ¥ 1,249,928 ¥ 690,009 ¥ (1,011,418) ¥ 1,435,717 ¥ 7,780 ¥ (6

			-
(174)		174	-
	157	(157)	-
	(123)	123	-
		(174,711)	(174,711)
		211,963	211,963
			(39)
			(39)

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					(42)	1,047	1,005				
								-	1,071	9	
-	-	(174)	34	-	37,350	1,008	38,218	1,071		9	
,288	¥ 22,114	¥	167	¥	3,727	¥ 1,249,928	¥ 727,359	¥ (1,010,410)	¥ 1,473,935	¥	2
								8,851	¥		

CANON INC.

NON-CONSOLIDATED

Year ended December 31, 2014

(Millions of yen)

Shareholders' equity

Valuation and translation adjustments

Retained earnings

Other retained earnings

Treasury stock

Total shareholders' equity

Net unrealized gains (losses) on securities

Net defined pension (loss) on hand

Legal reserve

Reserve for special depreciation

Reserve for deferral of capital gain on property

Special reserves

Retained earnings brought forward

88 ¥ 22,114 ¥ 294 ¥ 3,369 ¥ 1,249,928 ¥ 663,665 ¥ (861,666) ¥ 1,558,754 ¥ 7,239 ¥ (

148

(148)

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(101) 101 -

443 (443) -

(119) 119 -

(145,790) (145,790)

175,471 175,471

(150,039) (150,039)

(15) 287 272

- 541

- - 47 324 - 29,295 (149,752) (120,086)

88 ¥ 22,114 ¥ 341 ¥ 3,693 ¥1,249,928 ¥ 692,960 ¥(1,011,418) ¥ 1,438,668 ¥ 7,780 ¥

CANON INC.

NON-CONSOLIDATED

13. NOTE FOR GOING CONCERN ASSUMPTION

(Parent company only)

Not applicable.

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Executives of Canon Inc.

NON-CONSOLIDATED

Directors As of March 30, 2016

Position	Name	Current Position
Representative director	Fujio Mitarai	Representative director
Chairman & CEO		Chairman (President) & CEO
Representative director		Senior Managing Director
President & COO	Masaya Maeda	Chief Executive, Image Communication Products Operations Representative director
		Executive Vice President & CFO
Representative director	Toshizo Tanaka	Group Executive, Finance & Accounting Headquarters
Executive Vice President & CFO		Group Executive, Facilities Management Headquarters
		Group Executive, Human Resources Management & Organization Headquarters
Representative director		Senior Managing Director
	Shigeyuki Matsumoto	
Senior Managing Director & CTO		Group Executive, R&D Headquarters
Director (Outside)	Kunitaro Saida	Same as on the left
Director (Outside)	Haruhiko Kato	Same as on the left

Audit & Supervisory Board Members

Position	Name	Current Position
Audit & Supervisory Board Member	Makoto Araki	Same as on the left
Audit & Supervisory Board Member	Kazuto Ono	Same as on the left
Audit & Supervisory Board Member (Outside)	Tadashi Ohe	Same as on the left
Audit & Supervisory Board Member (Outside)	Osami Yoshida	Same as on the left
Audit & Supervisory Board Member (Outside)	Kuniyoshi Kitamura	Same as on the left

Executive Officers

Position	Name	Current Position
		Senior Managing Director
Executive Vice President	Yoroku Adachi	Chairman & CEO, Canon U.S.A., Inc.

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Executive Vice President	Toshio Homma	Senior Managing Director
Senior Managing Executive Officer	Hideki Ozawa	Group Executive, Procurement Headquarters Senior Managing Director
Senior Managing Executive Officer	Seymour Liebman	President & CEO, Canon (China) Co., Ltd. Managing Executive Officer
Senior Managing Executive Officer	Rokus van Iperen	Executive Vice President, Canon U.S.A., Inc. Managing Executive Officer
Managing Executive Officer	Yasuhiro Tani	President & CEO, Canon Europa N.V. / President & CEO, Canon Europe Ltd. Managing Director
Managing Executive Officer	Kenichi Nagasawa	Group Executive, Digital System Technology Development Headquarters Director
Managing Executive Officer	Naoji Otsuka	Group Executive, Corporate Intellectual Property & Legal Headquarters Director
Managing Executive Officer	Hiroyuki Suematsu	Chief Executive, Inkjet Products Operations Managing Executive Officer
Managing Executive Officer	Shigeyuki Uzawa	Group Executive, Quality Management Headquarters Managing Executive Officer
Managing Executive Officer	Masanori Yamada	Chief Executive, Optical Products Operations Director
Managing Executive Officer	Aitake Wakiya	Group Executive, Network Visual Solution Business Promotion Headquarters Director
Managing Executive Officer	Akiyoshi Kimura	Deputy Group Executive, Finance & Accounting Headquarters Director
Managing Executive Officer	Eiji Osanai	Chief Executive, Office Imaging Products Operations Director
Managing Executive Officer	Masaaki Nakamura	Group Executive, Production Engineering Headquarters Director
Managing Executive Officer	Akio Noguchi	Deputy Group Executive, Human Resources Management & Organization Headquarters Managing Executive Officer

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		Group Executive, Mixed Reality Solution Business Promotion Headquarters Executive Officer
Managing Executive Officer	Ryuichi Ebinuma	
		Deputy Group Executive, R&D Headquarters Managing Executive Officer
Managing Executive Officer	Yuichi Ishizuka	
		President & COO, Canon U.S.A., Inc. Executive Officer
Managing Executive Officer	Kazuto Ogawa	
		Executive Vice President, Canon (China) Co., Ltd. Executive Officer
Executive Officer	Shunsuke Inoue	
		Group Executive, Device Technology Development Headquarters Executive Officer
Executive Officer	Takayuki Miyamoto	
		Chief Executive, Peripheral Products Operations Executive Officer
Executive Officer	Katsumi Iijima	
		Group Executive, Information & Communication Systems Headquarters Executive Officer
Executive Officer	Soichi Hiramatsu	
		Deputy Group Executive, Procurement Headquarters Executive Officer
Executive Officer	Kazuhiko Noguchi	
		Group Executive, Public Affairs Headquarters Executive Officer
Executive Officer	Masato Okada	
		Deputy Chief Executive, Image Communication Products Operations Executive Officer
Executive Officer	Nobutoshi Mizusawa	
		Deputy Group Executive, R&D Headquarters Executive Officer
Executive Officer	Yoichi Iwabuchi	
		Deputy Group Executive, Digital System Technology Development Headquarters Executive Officer
Executive Officer	Hiroaki Takeishi	
		Group Executive, Semiconductor Production Equipment Group Executive Officer
Executive Officer	Takashi Takeya	
		Senior General Manager, Global Logistics Management Center Executive Officer
Executive Officer	Nobuyuki Tainaka	
		Senior General Manager, Global Legal Administration Center

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		Executive Officer
Executive Officer	Takanobu Nakamasu	Group Executive, Corporate Planning Development Headquarters Executive Officer
Executive Officer	Toshihiko Kusumoto	Deputy Chief Executive, Office Imaging Products Operations Executive Officer
Executive Officer	Akiko Tanaka	President & CEO, Canon BioMedical, Inc.. Group Executive, ICP Group 2
Executive Officer (New appointment)	Go Tokura	Image Communication Products Operations
Executive Officer (New appointment)	Ritsuo Mashiko	President, Oita Canon Inc.
Executive Officer (New appointment)	Hisahiro Minokawa	President & CEO, Canon Hongkong Co., Ltd.
Executive Officer (New appointment)	Noriko Gunji	Executive Vice President, Canon Hongkong Co., Ltd.

January 27, 2016

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER

AND THE FISCAL YEAR ENDED DECEMBER 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, 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.

	2015		2014		(Millions of yen) Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2015)						
Japan						
Office	98,804	379,277	97,336	380,594	+1.5%	-0.3%
Imaging System	66,958	198,739	70,815	207,281	-5.4%	-4.1%
Industry and Others	37,975	136,264	39,603	136,442	-4.1%	-0.1%
Total	203,737	714,280	207,754	724,317	-1.9%	-1.4%
Overseas						
Office	434,562	1,728,969	467,013	1,695,194	-6.9%	+2.0%
Imaging System	298,986	1,063,928	331,143	1,135,220	-9.7%	-6.3%
Industry and Others	105,353	293,094	54,026	172,521	+95.0%	+69.9%
Total	838,901	3,085,991	852,182	3,002,935	-1.6%	+2.8%
Americas						
Office	175,923	713,197	183,816	656,783	-4.3%	+8.6%
Imaging System	110,869	352,946	113,156	345,707	-2.0%	+2.1%
Industry and Others	24,804	78,279	12,883	34,010	+92.5%	+130.2%
Total	311,596	1,144,422	309,855	1,036,500	+0.6%	+10.4%
Europe						
Office	185,623	680,619	191,573	689,275	-3.1%	-1.3%
Imaging System	95,593	335,312	109,440	367,050	-12.7%	-8.6%
Industry and Others	19,511	58,435	11,362	34,159	+71.7%	+71.1%
Total	300,727	1,074,366	312,375	1,090,484	-3.7%	-1.5%
Asia and Oceania						
Office	73,016	335,153	91,624	349,136	-20.3%	-4.0%
Imaging System	92,524	375,670	108,547	422,463	-14.8%	-11.1%
Industry and Others	61,038	156,380	29,781	104,352	+105.0%	+49.9%
Total	226,578	867,203	229,952	875,951	-1.5%	-1.0%
Intersegment						
Office	641	2,570	464	2,944	+38.1%	-12.7%
Imaging System	239	1,168	207	693	+15.5%	+68.5%
Industry and Others	22,883	95,293	23,066	89,802	-0.8%	+6.1%
Eliminations	(23,763)	(99,031)	(23,737)	(93,439)	-	-
Total	0	0	0	0	-	-
Total						
Office	534,007	2,110,816	564,813	2,078,732	-5.5%	+1.5%
Imaging System	366,183	1,263,835	402,165	1,343,194	-8.9%	-5.9%
Industry and Others	166,211	524,651	116,695	398,765	+42.4%	+31.6%
Eliminations	(23,763)	(99,031)	(23,737)	(93,439)	-	-
Total	1,042,638	3,800,271	1,059,936	3,727,252	-1.6%	+2.0%

2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2016/Projection)**(1) Sales by business unit**

	2016 (P)	2015	(Millions of yen) Change year over year
	Year	Year	Year
Office	2,114,800	2,110,816	+0.2%
Imaging System	1,200,000	1,263,835	-5.1%
Industry and Others	623,600	524,651	+18.9%
Eliminations	(88,400)	(99,031)	-
Total	3,850,000	3,800,271	+1.3%

(P)=Projection

(2) Sales by region

	2016 (P)	2015	(Millions of yen) Change year over year
	Year	Year	Year
Japan	751,700	714,280	+5.2%
Overseas	3,098,300	3,085,991	+0.4%
Americas	1,153,300	1,144,422	+0.8%
Europe	1,075,000	1,074,366	+0.1%
Asia and Oceania	870,000	867,203	+0.3%
Total	3,850,000	3,800,271	+1.3%

(P)=Projection

3. SEGMENT INFORMATION BY BUSINESS UNIT (2015)

	2015		2014		(Millions of yen) Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
Office						
External customers	533,366	2,108,246	564,349	2,075,788	-5.5%	+1.6%
Intersegment	641	2,570	464	2,944	+38.1%	-12.7%
Total sales	534,007	2,110,816	564,813	2,078,732	-5.5%	+1.5%
Operating profit	72,243	290,586	73,589	292,057	-1.8%	-0.5%
% of sales	13.5%	13.8%	13.0%	14.0%	-	-
Imaging System						
External customers	365,944	1,262,667	401,958	1,342,501	-9.0%	-5.9%
Intersegment	239	1,168	207	693	+15.5%	+68.5%
Total sales	366,183	1,263,835	402,165	1,343,194	-8.9%	-5.9%
Operating profit	62,126	183,439	58,267	194,601	+6.6%	-5.7%
% of sales	17.0%	14.5%	14.5%	14.5%	-	-
Industry and Others						
External customers	143,328	429,358	93,629	308,963	+53.1%	+39.0%
Intersegment	22,883	95,293	23,066	89,802	-0.8%	+6.1%
Total sales	166,211	524,651	116,695	398,765	+42.4%	+31.6%
Operating profit	(2,784)	(13,079)	(6,741)	(21,801)	-	-
% of sales	-1.7%	-2.5%	-5.8%	-5.5%	-	-
Corporate and Eliminations						
External customers	-	-	-	-	-	-
Intersegment	(23,763)	(99,031)	(23,737)	(93,439)	-	-
Total sales	(23,763)	(99,031)	(23,737)	(93,439)	-	-
Operating profit	(24,543)	(105,736)	(26,646)	(101,368)	-	-
Consolidated						
External customers	1,042,638	3,800,271	1,059,936	3,727,252	-1.6%	+2.0%
Intersegment	-	-	-	-	-	-
Total sales	1,042,638	3,800,271	1,059,936	3,727,252	-1.6%	+2.0%
Operating profit	107,042	355,210	98,469	363,489	+8.7%	-2.3%
% of sales	10.3%	9.3%	9.3%	9.8%	-	-

4. OTHER INCOME / DEDUCTIONS (2015)

	2015		2014		(Millions of yen) Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
Interest and dividend, net	1,123	4,917	2,017	7,406	(894)	(2,489)
Forex gain (loss)	(1,009)	(22,149)	4,599	2,628	(5,608)	(24,777)
Equity earnings of affiliated companies	110	447	168	478	(58)	(31)
Other, net	1,695	9,013	1,656	9,238	+39	(225)
Total	1,919	(7,772)	8,440	19,750	(6,521)	(27,522)

5. SEGMENT INFORMATION BY BUSINESS UNIT (2016/Projection)	(Millions of yen)		
	2016 (P) Year	2015 Year	Change year over year Year
Office			
External customers	2,112,700	2,108,246	+0.2%
Intersegment	2,100	2,570	-18.3%
Total sales	2,114,800	2,110,816	+0.2%
Operating profit	278,800	290,586	-4.1%
% of sales	13.2%	13.8%	-
Imaging System			
External customers	1,198,100	1,262,667	-5.1%
Intersegment	1,900	1,168	+62.7%
Total sales	1,200,000	1,263,835	-5.1%
Operating profit	172,000	183,439	-6.2%
% of sales	14.3%	14.5%	-
Industry and Others			
External customers	539,200	429,358	+25.6%
Intersegment	84,400	95,293	-11.4%
Total sales	623,600	524,651	+18.9%
Operating profit	1,300	(13,079)	-
% of sales	0.2%	-2.5%	-
Corporate and Eliminations			
External customers	-	-	-
Intersegment	(88,400)	(99,031)	-
Total sales	(88,400)	(99,031)	-
Operating profit	(92,100)	(105,736)	-
Consolidated			
External customers	3,850,000	3,800,271	+1.3%
Intersegment	-	-	-
Total sales	3,850,000	3,800,271	+1.3%
Operating profit	360,000	355,210	+1.3%
% of sales	9.4%	9.3%	-

(P)=Projection

6. OTHER INCOME / DEDUCTIONS (2016/Projection)	(Millions of yen)		
	2016 (P) Year	2015 Year	Change year over year Year
Interest and dividend, net	(500)	4,917	(5,417)
Forex gain (loss)	(3,300)	(22,149)	+18,849
Equity earnings of affiliated companies	900	447	+453
Other, net	2,900	9,013	(6,113)
Total	0	(7,772)	+7,772

(P)=Projection

7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

	2016 (P)		2015		2014
	Year	4th quarter	Year	4th quarter	Year
Office					
Monochrome copiers	15%	16%	16%	15%	16%
Color copiers	21%	21%	20%	21%	19%
Printers	39%	38%	41%	40%	42%
Others	25%	25%	23%	24%	23%
Imaging System					
Cameras	60%	60%	62%	63%	64%
Inkjet printers	31%	31%	29%	29%	27%
Others	9%	9%	9%	8%	9%
Industry and Others					
Lithography equipment	23%	26%	24%	21%	23%
Others	77%	74%	76%	79%	77%

(P)=Projection

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

	2016 (P)		2015
	Year	4th quarter	Year
Office			
Japan	-	+1.5%	-0.3%
Overseas	-	-7.2%	-4.9%
Total	+1.7%	-5.7%	-4.1%
Imaging System			
Japan	-	-5.4%	-4.1%
Overseas	-	-9.9%	-11.7%
Total	-3.2%	-9.1%	-10.5%
Industry and Others			
Japan	-	-4.1%	-0.1%
Overseas	-	+95.1%	+67.2%
Total	+19.2%	+42.5%	+30.4%
Total			
Japan	+5.2%	-1.9%	-1.4%
Overseas	+2.3%	-1.8%	-3.3%
Americas	+1.7%	-4.7%	-2.8%
Europe	+3.0%	+1.8%	+0.6%
Asia and Oceania	+2.2%	-2.6%	-9.0%
Total	+2.9%	-1.8%	-3.0%

(P)=Projection

9. PROFITABILITY

	2016 (P)	2015	2014
	Year	Year	Year
ROE *1	7.7%	7.4%	8.7%
ROA *2	5.1%	5.0%	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.

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

	2016 (P)	2015	2014		
	Year	4th quarter	Year	4th quarter	Year
Yen/US\$	120.00	121.60	121.13	114.78	106.18
Yen/Euro	130.00	132.81	134.20	143.41	140.62

(P)=Projection

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

	2016 (P)	2015	
	Year	4th quarter	Year
US\$	(18.3)	+14.9	+170.5
Euro	(29.2)	(19.7)	(44.8)
Other currencies	(13.1)	(1.8)	+21.1
Total	(60.6)	(6.6)	+146.8

(P)=Projection

(3) Impact of foreign exchange rates per yen

	(Billions of yen)
	2016 (P)
	Year
On sales	
US\$	14.0
Euro	6.9
On operating profit	
US\$	4.6
Euro	2.9

(P)=Projection

11. STATEMENTS OF CASH FLOWS

	2016 (P)	2015	2014		
	Year	4th quarter	Year	4th quarter	Year
Net cash provided by operating activities	550,000	143,892	474,724	185,377	583,927
Net cash used in investing activities	(300,000)	(89,154)	(453,619)	(37,908)	(269,298)
Free cash flow	250,000	54,738	21,105	147,469	314,629

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Net cash used in financing activities	(165,500)	(244)	(210,202)	(50,185)	(300,886)
Effect of exchange rate changes on cash and cash equivalents	1,900	(2,128)	(21,870)	39,970	41,928
Net change in cash and cash equivalents	86,400	52,366	(210,967)	137,254	55,671
Cash and cash equivalents at end of period	720,000	633,613	633,613	844,580	844,580
					(P)=Projection

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12. R&D EXPENDITURE

(Millions of yen)

	2016 (P)	2015	2014
	Year	Year	Year
Office	-	105,298	104,391
Imaging System	-	90,236	87,510
Industry and Others	-	66,585	26,516
Corporate and Eliminations	-	66,381	90,562
Total	320,000	328,500	308,979
% of sales	8.3%	8.6%	8.3%

(P)=Projection

13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

	2016 (P)	2015	2014
	Year	Year	Year
Increase in PP&E			
Office	-	70,887	65,662
Imaging System	-	35,634	29,200
Industry and Others	-	20,683	13,856
Corporate and Eliminations	-	67,916	73,625
Total	230,000	195,120	182,343
Depreciation and amortization			
Office	-	86,206	87,058
Imaging System	-	52,070	53,912
Industry and Others	-	45,064	37,544
Corporate and Eliminations	-	89,987	84,966
Total	285,000	273,327	263,480

(P)=Projection

14. INVENTORIES**(1) Inventories**

(Millions of yen)

	2015	2014	Difference
	Dec.31	Dec.31	
Office	225,327	238,344	(13,017)
Imaging System	155,767	168,802	(13,035)
Industry and Others	120,801	121,021	(220)
Total	501,895	528,167	(26,272)

(2) Inventories/Sales*

(Days)

	2015	2014	Difference
	Dec.31	Dec.31	
Office	39	42	(3)
Imaging System	43	43	0
Industry and Others	86	132	(46)
Total	47	50	(3)

*Index based on the previous six months sales.

15. DEBT RATIO

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

16. OVERSEAS PRODUCTION RATIO

	2015 Year	2014 Year
Overseas production ratio	48%	45%

*From the 2nd quarter of 2015, the method used to calculate the overseas production ratio has changed. The distinctions between domestic and overseas of parts supplied overseas from Japan as well as other adjustments have been made to more accurately reflect the underlying reality. Past figures have been adjusted to conform to the new method of calculation.

17. NUMBER OF EMPLOYEES

	2015 Dec.31	2014 Dec.31	Difference
Japan	68,325	69,201	(876)
Overseas	121,246	122,688	(1,442)
Total	189,571	191,889	(2,318)