

CANON INC
Form 6-K
November 13, 2018

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 **November**, **2018**

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 . **November 13, 2018**

By /s/ Kazuhiko Nagashima
(Signature)*

Kazuhiko Nagashima
Executive Officer
Deputy Group Executive
Finance & Accounting Headquarters
Canon Inc.

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

The following materials are included.

1. Quarterly Report filed with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan For the third quarter ended September 30, 2018

[English summary with full translation of consolidated financial information]

Quarterly Report filed with the Japanese government

pursuant to

the Financial Instruments and Exchange Law of Japan

For the third quarter ended

September 30, 2018

CANON INC.

Tokyo, Japan

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Disclaimer Regarding Forward-Looking Statements

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

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

I. Corporate Information

(1) Consolidated Financial Summary

	Millions of yen (except per share amounts)				
	Nine months ended	Nine months ended	Three months ended	Three months ended	Year ended December 31,
	September 30,	September 30,	September 30,	September 30,	2017
	2018	2017	2018	2017	
Net sales	2,893,597	2,959,724	926,498	994,490	4,080,015
Income before income taxes	262,930	265,367	67,050	87,801	353,884
Net income attributable to Canon Inc.	181,041	187,320	46,258	63,051	241,923
Comprehensive income (loss)	157,295	231,616	107,612	103,566	317,383
Canon Inc. shareholders' equity	-	-	2,842,891	2,792,601	2,870,630
Total equity	-	-	3,071,658	3,011,392	3,096,175
Total assets	-	-	5,003,247	5,185,937	5,198,291
Net income attributable to Canon Inc. shareholders per share:					
Basic (yen)	167.67	172.30	42.84	58.39	222.88
Diluted (yen)	167.66	172.30	42.84	58.39	222.88
Canon Inc. shareholders' equity to total assets (%)	-	-	56.8	53.8	55.2
Cash flows from operating activities	193,707	414,506	-	-	590,557
Cash flows from investing activities	(136,454)	(132,152)	-	-	(165,010)
Cash flows from financing activities	(235,294)	(269,843)	-	-	(340,464)
Cash and cash equivalents at end of period	-	-	535,234	646,841	721,814
Notes:					

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1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. Consumption tax is excluded from the stated amount of net sales.
3. The computation of diluted net income attributable to Canon Inc. shareholders per share for 2017 and the nine months ended September 30, 2017 excludes outstanding stock options because the effect would be anti-dilutive.
4. There were no dilutive securities during the three months ended September 30, 2017.

(2) Description of Business

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

The Canon Group (consisting of the Company, 380 consolidated subsidiaries, and 8 affiliates accounted for using the equity method, as of September 30, 2018, collectively, the Group) is engaged in development, manufacturing, sales, and servicing activities in areas such as office, imaging systems, medical systems, and industrial equipment. No material change in Canon s business has occurred during the nine months ended September 30, 2018.

No additions or removals of significant group entities have occurred during the nine months ended September 30, 2018.

II. The Business

(1) Risk Factors

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

(2) Significant Business Contracts Entered into in the Third Quarter of Fiscal 2018

No material contracts were entered into during the three months ended September 30, 2018.

(3) Operating Results

Looking back at the global economy in the first nine months of 2018, the U.S. economy continued to grow steadily as employment conditions improved. The European economy continued to grow moderately, mainly driven by domestic demand, while exports remained weak. In China, public investments and consumer spending slowed down and the economies of emerging countries faced slowdowns in market growth mainly due to local currency depreciation. In Japan, although consumer spending appeared to be at a standstill, capital investment continued to improve. As a result, the global economy overall remained in a state of gradual recovery.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) and laser printers remained firm supported by the trend of shifting from monochrome to color models and increasing demand in emerging countries. The decline of the camera market continued and the market for inkjet printers was slightly below the level of the previous year. While demand for medical equipment slowed down in Japan, overall demand grew moderately. Within the Industry and Others sector, although capital investment in organic LED (OLED) panel manufacturing equipment faced a temporary slowdown, demand for network cameras enjoyed solid growth.

The average values of the yen during the third quarter and the first nine months of the year were ¥111.47 and ¥109.53 against the U.S. dollar, respectively, year-on-year depreciation of approximately ¥1 and year-on-year appreciation of approximately ¥2, and ¥129.63 and ¥130.88 against the euro, respectively, year-on-year appreciation of approximately ¥1 and year-on-year depreciation of approximately ¥6.

(3) Operating Results (continued)

[Third quarter results]

During the third quarter, unit sales of office MFDs increased compared with the same period of the previous year due to the solid sales of color models, mainly outside of Japan. Additionally, unit sales of laser printers increased compared with the same period of the previous year, supported by expanded sales of both monochrome and color models. Total sales volume of interchangeable-lens digital cameras decreased compared with the same period of the previous year, mainly for entry-class models, due to a temporary slowdown in demand. However, sales of mirrorless cameras increased. Looking at inkjet printers, unit sales increased compared with the same period of the previous year, thanks to such factors as expanded sales of home-use models and refillable ink tank models. For medical equipment, sales decreased compared with the same period of the previous year mainly due to the postponement of capital investment by medical institutions related to revisions to Japan's public health insurance program. For industrial equipment, sales of flat-panel display (FPD) lithography equipment and manufacturing equipment for OLED panels decreased compared with the same period of the previous year due to a slowdown in investment in OLED panels, and sales of network cameras increased steadily in response to the growing market. Under these conditions, third-quarter net sales decreased by 6.8% year on year to ¥926.5 billion. Although the gross profit ratio dropped by 2.3 points to 46.1%, this was mainly due to the fact that certain costs that were under operating expenses have been reclassified under cost of sales following the adoption of new accounting standards related to revenue recognitions. Excluding the impact of this reclassification, the gross profit ratio increased by 0.8 points to 49.2%. Operating expenses decreased by 11.1% year on year to ¥358.7 billion, thanks to continuous Group-wide efforts to reduce spending as well as the impact of the aforementioned reclassification of figures related to the adoption of new accounting standards. As a result, third-quarter operating profit decreased by 12.4% to ¥68.3 billion. Other income (deductions) decreased by ¥11.1 billion, mainly due to gain on securities contributed to the retirement benefit trust during the same period of the previous year and an increase in foreign currency exchange losses, while income before income taxes decreased by 23.6% year on year to ¥67.1 billion and net income attributable to Canon Inc. decreased by 26.6% to ¥46.3 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥42.84 for the third quarter, a year-on-year decrease of ¥15.55.

[Nine-month results]

During the first nine months, unit sales of office MFDs increased compared with the same period of the previous year due to the solid sales of color models, mainly outside of Japan. Additionally, unit sales of laser printers, both monochrome and color models, increased compared with the same period of the previous year. Total sales volume of interchangeable-lens digital cameras decreased compared with the same period of the previous year, mainly for entry-class models, due to a temporary slowdown in demand. However, sales of mirrorless cameras increased. Looking at inkjet printers, unit sales increased compared with the same period of the previous year, thanks to such factors as expanded sales of home-use models and refillable ink tank models. For medical equipment, sales decreased compared with the same period of the previous year mainly due to the postponement of capital investment by medical institutions related to revisions to Japan's public health insurance program. For industrial equipment, unit sales of semiconductor lithography equipment increased from the same period of the previous year due to increasing demand for memory devices. However, for FPD lithography equipment and OLED panel manufacturing equipment, sales decreased compared with the same period of the previous year mainly due to a temporary slowdown in capital investment in panel manufacturing equipment which has been particularly high until recently, and sales of network cameras increased steadily in response to the growing market. Under these conditions, net sales for the first nine months ended September 30, 2018 decreased by 2.2% year on year to ¥2,893.6 billion. Although the gross profit ratio dropped by 2.3 points to 46.5%, this was mainly due to the fact that certain costs that were under operating expenses have been reclassified under cost of sales following the adoption of new accounting standards related to revenue

recognitions. Excluding the impact of this reclassification, the gross profit ratio increased by 0.7 points to 49.5%. Operating expenses decreased by 8.1% year on year to ¥1,102.9 billion, thanks to continuous Group-wide efforts to reduce spending as well as the impact of the aforementioned reclassification of figures related to the adoption of new accounting standards. As a result, first nine months operating profit decreased by 0.7% to ¥243.4 billion. Other income (deductions) decreased by ¥0.8 billion, mainly due to an increase in foreign currency exchange losses, while income before income taxes decreased by 0.9% year on year to ¥262.9 billion and net income attributable to Canon Inc. decreased by 3.4% to ¥181.0 billion.

Basic net income attributable to Canon Inc. shareholders per share was ¥167.67 for the first nine months, a year-on-year decrease of ¥4.63.

(3) Operating Results (continued)

Looking at Canon's first nine months performance by business unit, starting with the Office Business Unit, unit sales of office MFDs increased from the same period of the previous year, supported by such color models as the next-generation A3 (12 x18) color imageRUNNER ADVANCE series, which are compatible with external cloud services, and the imageRUNNER C3020 series, strategic models for emerging countries. As for laser printers, sales increased from the previous year, supported by steady sales of new models that achieved low power consumption, compact body designs and high productivity. Under these conditions, sales for the combined first nine months of the year totaled ¥1,335.7 billion, a year-on-year increase of 0.6%, while operating profit totaled ¥166.5 billion, a year-on-year increase of 6.9%.

Within the Imaging System Business Unit, Canon maintained the top share of the overall interchangeable-lens digital camera market, mainly in major countries in Europe and the Americas and in Japan. Within this, sales of mirrorless cameras increased mainly supported by sales of such new products as the EOS Kiss M. However, unit sales decreased overall compared with the same period of the previous year due to a temporary slowdown in demand, mainly for entry-level models. As for digital compact cameras, although unit sales decreased compared with the same period of the previous year amid the shrinking market, sales of high-value-added models such as the PowerShot G-series enjoyed solid demand. For inkjet printers, unit sales increased compared with the same period of the previous year, supported by steady sales of home-use models and refillable ink tank models due to the implementation of revised sales strategies tailored to each region. As a result, sales for the combined first nine months of the year totaled ¥710.6 billion, a year-on-year decrease of 10.6%, while operating profit totaled ¥80.9 billion, a year-on-year decrease of 30.8%.

Within the Medical System Business Unit, Canon Medical Systems Corporation's computed tomography (CT) systems maintained the top share of the Japanese market, and sales grew steadily for such newly launched products as the Vantage Orian, magnetic resonance imaging (MRI) systems, which achieved the industry's highest levels of image quality. However, overall sales decreased compared with the same period of the previous year due to restrained purchasing of diagnostic imaging systems in Japan. As a result, sales for the combined first nine months of the year totaled ¥319.4 billion, a year-on-year decrease of 3.9%, while operating profit totaled ¥20.5 billion, a year-on-year increase of 16.8%.

In the Industry and Others Business Unit, unit sales of semiconductor lithography equipment increased from the same period of the previous year due to increasing demand for memory devices. However, for FPD lithography equipment and OLED panel manufacturing equipment, sales decreased compared with the same period of the previous year mainly due to a temporary slowdown in capital investment in panel manufacturing equipment which has been particularly high until recently. As for network cameras, Axis enjoyed solid sales amid increasing market demand. Consequently, sales for the combined first nine months of the year totaled ¥607.1 billion, a year-on-year increase of 6.2%, while operating profit totaled ¥55.5 billion, a year-on-year increase of 45.0%.

Operating profit of each segment includes certain other income and deductions, mainly consisting of net periodic pension cost other than service cost component. Please refer to Note 17 for additional information.

(3) Operating Results (continued)Cash Flows

During the first nine months of 2018, cash flow from operating activities totaled ¥193.7 billion, a decrease of ¥220.8 billion compared with the same period of the previous year, mainly owing to increased working capital and payment of income taxes. Cash flow from investing activities increased by ¥4.3 billion a year-on-year to ¥136.5 billion mainly due to a decrease in the sale of fixed assets. Accordingly, free cash flow totaled ¥57.3 billion, a decrease of ¥225.1 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥235.3 billion, mainly owing to the dividend payout, and the repayment of long-term debt.

Owing to these factors, as well as the impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥186.6 billion to ¥535.2 billion from the end of the previous year.

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. GAAP. In addition, we have discussed our results using free cash flow, which is a non-GAAP measure.

We believe this measure, which takes into consideration the Company's operating and investing activities, is beneficial to an investor's understanding of Canon's current liquidity and the alternatives of use in financing activities.

A reconciliation of this non-GAAP financial measure and the most directly comparable measures calculated and presented in accordance with U.S. GAAP are set forth on the following table.

	Billions of yen Nine months ended September 30, 2018
Net cash provided by operating activities	193.7
Net cash used in investing activities	(136.5)
Free cash flow	57.3

(3) Operating Results (continued)

Management Issues to be Addressed

No material changes or issues with respect to business operations and finances have occurred during the nine months ended September 30, 2018.

Research and Development Expenditures

Canon's research and development expenditures for the nine months ended September 30, 2018 totaled ¥232.6 billion.

Property, Plant and Equipment

(1) Major Property, Plant and Equipment

There were no significant changes to the status of existing major property, plant and equipment during the nine months ended September 30, 2018.

(2) Prospect of Capital Investment in the first nine months of Fiscal 2018

The new construction of property, plant and equipment, which had been in progress as of December 31, 2017 and was completed during the first nine months of 2018, is as follows:

Name and location	Principal activities and products manufactured	Date of completion
Canon Inc., Shimomaruko, Japan	New training and administration center (Headquarters Operations)	July 2018

There were no significant changes in the plans relevant to the retirement of property, plant and equipment during the nine months ended September 30, 2018. Moreover, there were no significant additional plans for new construction or retirement of property, plant and equipment during the nine months ended September 30, 2018.

III. Company Information

(1) Shares

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

	As of September 30, 2018
Total number of issued shares	1,333,763,464
<u>Stock Acquisition Rights</u>	

Not applicable.

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

Not applicable.

Rights Plan

Not applicable.

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

	Change during this term	As of September 30, 2018
Issued Shares (Number of shares)	-	1,333,763,464
Common Stock (Millions of yen)	-	174,762
Additional Paid-in Capital (Millions of yen)	-	306,288

Major Shareholders

Not applicable.

(1) Shares (continued)**Voting Rights**

The information provided below is based on the latest register of shareholders as of June 30, 2018.

Classification	As of June 30, 2018	
	Number of shares (shares)	Number of voting rights (units)
Shares without voting rights	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-
Shares with restricted voting rights (Others)	-	-
Shares with full voting rights (Treasury stock, etc.)	(treasury stock) 254,010,300	-
Shares with full voting rights (Others)	1,078,363,000	10,783,630
Fractional unit shares (Note)	1,390,164	-
Total number of issued shares	1,333,763,464	-
Total voting rights held by all shareholders	-	10,783,630

Note:

In Fractional unit shares under Number of shares, 88 shares of treasury stock are included.

Treasury Stock, etc.

	Number of shares owned (Number of shares)	Number of shares owned / Number of shares issued
Canon Inc.	254,010,300	19.04%
Total	254,010,300	19.04%

(2) Directors and Executive Officers

There were no changes in members of directors and auditors between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2017 and the end of this quarter.

Change in functions of director is below:

Toshizo Tanaka (Executive Vice President & CFO: Group Executive of Finance & Accounting Headquarters, Group Executive of Public Affairs Headquarters, Group Executive of Facilities Management Headquarters)

There were no changes in members of executive officers between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2017 and the end of this quarter.

Changes in functions of executive officers are below:

Masanori Yamada (Managing Executive Officer: Chief Executive of Image Solutions Business Operations, Chief of Rugby World Cup / Olympic and Paralympic Project)

Aitake Wakiya (Managing Executive Officer: Executive Vice President of Canon Europe Ltd.)

Ryuichi Ebinuma (Managing Executive Officer: Group Executive of Corporate Planning Headquarters)

Yuichi Ishizuka (Managing Executive Officer: President of Canon Europa N.V., President of Canon Europe Ltd.)

Kazuto Ogawa (Managing Executive Officer: President of Canon U.S.A., Inc.)

Takayuki Miyamoto (Managing Executive Officer: Chief Executive of Peripheral Products Operations, Chief of Canon EXPO Project)

Katsumi Iijima (Managing Executive Officer: Group Executive of Digital Business Platform Development Headquarters)

Nobutoshi Mizusawa (Executive Officer: Deputy Chief Executive of Medical Systems Operations)

Yoichi Iwabuchi (Executive Officer: Group Executive of Information & Communication Systems Headquarters)

Akiko Tanaka (Executive Officer: Deputy Group Executive of Corporate Planning Headquarters, President of Canon BioMedical, Inc.)

Hisahiro Minokawa (Executive Officer: Group Executive of Human Resources Management & Organization Headquarters)

Minoru Asada (Executive Officer: Executive Vice President of Océ Technologies B.V.)

Kazuhiko Nagashima (Executive Officer: Deputy Group Executive of Finance & Accounting Headquarters)

Masaki Omori (Executive Officer: Deputy Group Executive of Production Engineering Headquarters)

The Number of Directors and Executive Officers by Gender

Males: 46, Females: 2 (Females account for 4.2% of the total.)

Based on the number of Directors and Executive Officers as of September 30, 2018.

IV. Financial Statements (Unaudited)

(1) Consolidated Financial Statements

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CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	Millions of yen	
	September 30, 2018	December 31, 2017
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Notes 15 and 16)	535,234	721,814
Short-term investments (Notes 2 and 15)	1,330	1,965
Trade receivables, net (Note 3)	581,844	650,872
Inventories (Note 4)	660,367	570,033
Prepaid expenses and other current assets (Notes 10, 12 and 16)	327,509	287,965
 Total current assets	 2,106,284	 2,232,649
 Noncurrent receivables (Note 13)	 19,000	 35,444
Investments (Notes 2 and 15)	50,127	48,320
Property, plant and equipment, net (Note 5)	1,097,929	1,126,620
Intangible assets, net	401,771	420,972
Goodwill	924,075	936,722
Other assets (Note 16)	404,061	397,564
 Total assets	 5,003,247	 5,198,291

CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

	Millions of yen	
	September 30, 2018	December 31, 2017
<u>Liabilities and equity</u>		
Current liabilities:		
Short-term loans and current portion of long-term debt (Note 14)	38,232	39,328
Trade payables (Note 6)	374,277	380,654
Accrued income taxes	28,674	77,501
Accrued expenses (Note 13)	332,889	330,188
Other current liabilities (Notes 10 and 12)	256,014	281,809
 Total current liabilities	 1,030,086	 1,109,480
Long-term debt, excluding current instalments (Notes 7 and 14)	442,021	493,238
Accrued pension and severance cost	344,147	365,582
Other noncurrent liabilities	115,335	133,816
 Total liabilities	 1,931,589	 2,102,116
Commitments and contingent liabilities (Note 13)		
Equity:		
Canon Inc. shareholders' equity (Note 8):		
Common stock	174,762	174,762
(Number of authorized shares)	(3,000,000,000)	(3,000,000,000)
(Number of issued shares)	(1,333,763,464)	(1,333,763,464)
Additional paid-in capital	401,612	401,386
Legal reserve	67,098	66,879
Retained earnings	3,437,212	3,429,312
Accumulated other comprehensive income (loss) (Note 9)	(179,297)	(143,228)
Treasury stock, at cost	(1,058,496)	(1,058,481)
(Number of shares)	(254,011,562)	(254,007,681)
 Total Canon Inc. shareholders' equity	 2,842,891	 2,870,630
Noncontrolling interests (Note 8)	228,767	225,545
 Total equity (Note 8)	 3,071,658	 3,096,175
 Total liabilities and equity	 5,003,247	 5,198,291

CANON INC. AND SUBSIDIARIES

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	Millions of yen	
	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net sales (Note 10):		
Products and Equipment	2,327,760	2,549,081
Services	565,837	410,643
	2,893,597	2,959,724
Cost of sales (Note 10):		
Products and Equipment	1,281,157	1,346,885
Services	266,163	168,318
	1,547,320	1,515,203
Gross profit	1,346,277	1,444,521
Operating expenses:		
Selling, general and administrative expenses (Notes 10 and 16)	870,347	953,765
Research and development expenses	232,556	245,739
	1,102,903	1,199,504
Operating profit	243,374	245,017
Other income (deductions):		
Interest and dividend income	5,430	4,534
Interest expense	(653)	(582)
Other, net (Notes 2,9,12 and 16)	14,779	16,398
	19,556	20,350
Income before income taxes	262,930	265,367
Income taxes	71,946	69,248
Consolidated net income	190,984	196,119
Less: Net income attributable to noncontrolling interests	9,943	8,799
Net income attributable to Canon Inc.	181,041	187,320

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	Yen	Yen
Net income attributable to Canon Inc. shareholders per share (Note 11):		
Basic	167.67	172.30
Diluted	167.66	172.30
Cash dividends per share	80.00	75.00

CANON INC. AND SUBSIDIARIES

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Consolidated net income	190,984	196,119
Other comprehensive income (loss), net of tax (Note 9):		
Foreign currency translation adjustments	(35,328)	38,089
Net unrealized gains and losses on securities	(141)	(4,503)
Net gains and losses on derivative instruments	(670)	1,679
Pension liability adjustments	2,450	232
	(33,689)	35,497
Comprehensive income (loss) (Note 8)	157,295	231,616
Less: Comprehensive income (loss) attributable to noncontrolling interests	6,980	11,076
Comprehensive income (loss) attributable to Canon Inc.	150,315	220,540

 CANON INC. AND SUBSIDIARIES

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	Millions of yen	
	Three months ended September 30, 2018	Three months ended September 30, 2017
Net sales (Note 10):		
Products and Equipment	740,003	853,005
Services	186,495	141,485
	926,498	994,490
Cost of sales (Note 10):		
Products and Equipment	412,541	452,067
Services	86,925	60,718
	499,466	512,785
Gross profit	427,032	481,705
Operating expenses:		
Selling, general and administrative expenses (Notes 10 and 16)	281,302	321,392
Research and development expenses	77,402	82,318
	358,704	403,710
Operating profit	68,328	77,995
Other income (deductions):		
Interest and dividend income	1,935	1,569
Interest expense	(239)	(229)
Other, net (Notes 2,9,12 and 16)	(2,974)	8,466
	(1,278)	9,806
Income before income taxes	67,050	87,801
Income taxes	17,114	21,200
Consolidated net income	49,936	66,601

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Less: Net income attributable to noncontrolling interests	3,678	3,550
Net income attributable to Canon Inc.	46,258	63,051
	Yen	Yen
Net income attributable to Canon Inc. shareholders per share (Note 11):		
Basic	42.84	58.39
Diluted	42.84	58.39

 CANON INC. AND SUBSIDIARIES

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended September 30, 2018	Three months ended September 30, 2017
Consolidated net income	49,936	66,601
Other comprehensive income (loss), net of tax (Note 9):		
Foreign currency translation adjustments	55,307	40,693
Net unrealized gains and losses on securities	-	(3,912)
Net gains and losses on derivative instruments	(300)	(28)
Pension liability adjustments	2,669	212
	57,676	