

CANON INC
Form 6-K
April 27, 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 **April**, **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 . **April 27, 2016**

By /s/ Eiji Shimizu
(Signature)*

Eiji Shimizu
General Manager
Consolidated Accounting Div.
Canon Inc.

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

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2016

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2016

April 26, 2016

CONSOLIDATED RESULTS

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

	Actual			Projection		
	Three months ended March 31, 2016	Three months ended March 31, 2015	Change(%)	Three months ended March 31, 2016	Year ending December 31, 2016	Change(%)
Net sales	¥ 797,230	¥ 857,445	- 7.0	\$ 7,055,133	¥ 3,600,000	- 5.3
Operating profit	40,087	66,197	- 39.4	354,752	300,000	- 15.5
Income before income taxes	45,761	61,281	- 25.3	404,965	310,000	- 10.8
Net income attributable to Canon Inc.	¥ 27,991	¥ 33,930	- 17.5	\$ 247,708	¥ 200,000	- 9.2

Net income attributable to Canon Inc. shareholders per share:

- Basic	¥ 25.63	¥ 31.07	- 17.5	\$ 0.23	¥ 183.14	- 9.2
- Diluted	25.63	31.07	- 17.5	0.23	-	-

	Actual		
	As of March 31, 2016	As of December 31, 2015	Change(%)
Total assets	¥ 4,839,157	¥ 4,427,773	+ 9.3
Canon Inc. shareholders equity	¥ 2,822,828	¥ 2,966,415	- 4.8

- 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 113 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2016, solely for the convenience of the reader.

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I. Operating Results and Financial Conditions

2016 First Quarter in Review

Looking back at the global economy in the first quarter of 2016, the U.S. economy continued recovering smoothly as consumer spending and employment conditions improved. In Europe, the economy recovered moderately amid decreases in unemployment rates in Germany and the U.K. In contrast, the Chinese economy continued its deceleration and the economies of emerging countries, including those of Southeast Asia and Russia, remained stagnant owing to further declines in oil prices. In Japan, although weaknesses were seen in consumer spending, corporate earnings and employment conditions continued to improve. As a result, the global economy overall continued to realize moderate growth.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) remained at around the same level as for the previous year, while the market for laser printers shrunk due to the sluggish market in emerging countries. As for cameras, although demand for interchangeable-lens digital cameras continued to recover in developed countries, demand across Asia continued to decline compared with last year. Likewise, sales volumes of digital compact cameras declined in all regions. Additionally, demand for inkjet printers continued to decline, mainly in emerging countries in Asia. Within the Industry and Others sector, however, demand for lithography equipment used in the production of semiconductor devices and flat panel displays (FPDs) enjoyed strong growth thanks to active capital investment by memory device and panel manufacturers.

The average value of the yen during the quarter was ¥114.91 against the U.S. dollar, a year-on-year appreciation of approximately ¥4, and ¥127.01 against the euro, a year-on-year appreciation of approximately ¥7, which had a negative impact on net sales of ¥31.0 billion and operating profit of ¥13.3 billion.

During the first quarter, although office MFDs enjoyed solid demand, mainly for color models, total sales volume of laser printers declined due to the contraction of the market. Although harsh conditions for interchangeable-lens digital cameras in Asia remained the same as during the previous year, demand remained firm in developed countries with unit sales remaining essentially unchanged from the same period of the previous year. As for digital compact cameras, unit sales declined in all regions compared with the previous year. Looking at inkjet printers, despite the shrinking market, sales volume remained at approximately the same level as for the previous year thanks to such factors as expanded sales of new products in developed countries. Also, sales of semiconductor lithography equipment and FPD lithography equipment exceeded those for the previous year thanks to favorable market conditions. Consequently, along with the negative effect of currency exchange rates, first-quarter net sales decreased 7.0% year on year to ¥797.2 billion. Despite the appreciation of the yen, the gross profit ratio decreased by only 0.3 points year on year to 50.8% owing to ongoing cost-cutting activities and efforts aimed at controlling price reductions. Operating expenses decreased 2.1% year on year to ¥364.7 billion thanks to Group-wide efforts to thoroughly reduce spending. As a result, first-quarter operating profit decreased by 39.4% to ¥40.1 billion. Other income (deductions) increased by ¥10.6 billion due to foreign currency exchange gains while income before income taxes decreased by 25.3% year on year to ¥45.8 billion and net income attributable to Canon Inc. decreased by 17.5% to ¥28.0 billion.

Basic net income attributable to Canon Inc. shareholders per share for the quarter was ¥25.63, a year-on-year decrease of ¥5.44.

Results by Segment

Looking at Canon's first-quarter performance by business unit, beginning with the Office Business Unit, unit sales for office MFDs overall increased from the same period of the previous year, including monochrome models, which had been facing decreasing demand. This was thanks to strong sales of color models, led by small-office/home-office color A3 (12 x18 ") imageRUNNER ADVANCE C3300-series models launched in the previous year, and the imagePRESS C10000VP-series, which targets the production market. Among high-speed continuous-feed printers and wide-format printers, the Océ-produced VarioPrint i300 series has been steadily receiving orders. As for laser printers, amid continued sluggishness in the market, unit sales volume declined from the corresponding period of the previous year as a result of a shift in sales strategy away from selling low-end models with low profitability in favor of efforts aimed at ensuring profitability through the proactive sales promotion of high-added-value models, which will lead to consumables sales. These factors, coupled with the negative effect of unfavorable currency exchange rates, resulted in total sales for the business unit of ¥454.4 billion, a year on year decrease of 14.1%, while operating profit totaled ¥44.7 billion, a year-on-year decrease of 37.7%.

Within the Imaging System Business Unit, sales volume of interchangeable-lens digital cameras remained at around the same level as the previous year owing to healthy demand for the advanced-amateur-model EOS 80D, launched this year, and the EOS M3 and M10, which were released the previous year, in Japan and other Asian markets. As for digital compact cameras, while sales volume declined amid the ongoing contraction of the market, PowerShot G-series cameras, the lineup of which grew to five models in the previous year, enjoyed solid demand. As for inkjet printers, sales promotions for new products contributed to growth in unit sales in developed markets, such as those in Europe, the U.S. and Japan, while models launched in the previous year equipped with large-capacity ink tanks enjoyed strong demand in Asia, a region in which market conditions have remained sluggish. Consequently, unit sales for the segment remained at approximately the same level as for the corresponding period of the previous year. As a result, along with the negative effect of unfavorable currency exchange rates, sales for the business unit decreased by 10.6% to ¥234.8 billion year on year, while operating profit totaled ¥19.6 billion, a year-on-year decline of 32.6%.

In the Industry and Others Business Unit, within the semiconductor lithography equipment segment, unit sales increased from the same period of the previous year, boosted by active capital investment in response to the growing variety of semiconductor-equipped products associated with the prevalence of the IoT (Internet of Things). Unit sales of FPD lithography equipment also increased, supported by favorable market conditions. As for network cameras, sales by Axis, which was consolidated in the second quarter last year, contributed significantly to robust sales growth, along with increased sales of Canon-brand products. In addition, Canon Tokki, which sells manufacturing equipment for organic LED (OLED) panel devices, posted an increase in sales amid brisk capital investment by panel manufacturers. Consequently, sales for the business unit totaled ¥130.2 billion, an increase of 45.8% year on year. As for operating profit, despite an improvement of ¥7.2 billion compared with the previous year, the business unit was in the red by ¥0.6 billion owing to upfront investment in next-generation technologies and new businesses.

Cash Flow

During the first quarter of 2016, cash flow from operating activities totaled ¥114.6 billion, an increase of ¥15.2 billion compared with the previous year owing to improvements in working capital, such as trade receivables. Cash flow from investing activities increased ¥686.5 billion year on year to ¥720.2 billion due to the payment for the right to acquire all of the ordinary shares of Toshiba Medical Systems Corporation (TMSC). Accordingly, free cash flow totaled negative ¥605.6 billion, a decrease of ¥671.3 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded proceeds of ¥570.7 billion, mainly owing to a provisional bank borrowing related to TMSC.

Owing to these factors, as well as the negative impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥52.7 billion to ¥581.0 billion from the end of the previous year.

Outlook

As for the outlook in the second quarter onward, 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 recovery trend supported by improved corporate earnings, mainly in the non-manufacturing sector, and employment conditions. Looking at China, sluggish capital investment and other factors are expected to result in a continuation of the gradual economic slowdown. As for emerging economies, such as those of Southeast Asia, Brazil and Russia, despite signs of recovery that were mainly driven by domestic demand, the outlook indicates the need for more time before a true recovery takes hold owing to declines in oil prices and volatility in the financial and capital markets. Looking at the global economy as a whole, while a gradual recovery is expected heading into the latter half of the year, the degree of the recovery will likely be weaker than originally assumed.

In the businesses in which Canon is involved, demand for office MFDs is projected to expand moderately, mainly for color models, while demand in the laser printer market is expected to remain low for the time being. As for interchangeable-lens digital cameras, despite the moderate recovery in developed countries, demand in Asian markets is expected to shrink. Likewise, projections for digital compact cameras indicate continued market contraction in all regions, centered mainly on low-priced models. With regard to inkjet printers, amid the recession in Southeast Asian and other emerging countries, demand is expected to decline. Within the market for semiconductor lithography equipment, manufacturers are expected to postpone some capital investment due to a slowdown in the smartphone market, while forecasts for the FPD lithography equipment market point to further expansion thanks to the growing demand for high-definition OLED panels used in mobile devices. The network camera market is also expected to grow in response to increasing global safety and security needs.

With regard to currency exchange rates for the second quarter onward, on which Canon's performance outlook is based, Canon anticipates exchange rates of ¥110 to the U.S. dollar and ¥125 to the euro, representing appreciations of approximately ¥10 against the U.S. dollar and approximately ¥9 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration the prolonged economic slowdown in China and developing countries, along with the negative impact of the revised foreign exchange rate assumptions on sales and gross profit, Canon projects full-year consolidated net sales in 2016 of ¥3,600.0 billion, a year-on-year decrease of 5.3%; operating profit of ¥300.0 billion, a year-on-year decrease of 15.5%; income before income taxes of ¥310.0 billion, a year on year decrease of 10.8%; and net income attributable to Canon Inc. of ¥200.0 billion, a year-on-year decrease of 9.2%.

The impact of the acquisition of TMSC has not been included in the Consolidated Outlook by reason that the clearance process by necessary competition regulatory authorities is still ongoing and the timing of consolidation has yet to be determined.

Consolidated Outlook

Fiscal year	Millions of yen				
	Year ending		Change (B - A)	Year ended December 31, 2015 Results (C)	Change (%) (B - C) / C
	December 31, 2016 Previous Outlook (A)	December 31, 2016 Revised Outlook (B)			
Net sales	3,850,000	3,600,000	(250,000)	3,800,271	-5.3%
Operating profit	360,000	300,000	(60,000)	355,210	-15.5%
Income before income taxes	360,000	310,000	(50,000)	347,438	-10.8%
Net income attributable to Canon Inc.	230,000	200,000	(30,000)	220,209	-9.2%

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	As of March 31, 2016	Millions of yen As of December 31, 2015	Change
ASSETS			
Current assets:			
Cash and cash equivalents	580,954	633,613	(52,659)
Short-term investments	21,271	20,651	620
Trade receivables, net	498,186	588,001	(89,815)
Inventories	521,404	501,895	19,509
Prepaid expenses and other current assets	243,598	313,019	(69,421)
Total current assets	1,865,413	2,057,179	(191,766)
Noncurrent receivables	28,551	29,476	(925)
Investments	724,006	67,862	656,144
Property, plant and equipment, net	1,201,530	1,219,652	(18,122)
Intangible assets, net	229,653	241,208	(11,555)
Goodwill	465,069	478,943	(13,874)
Other assets	324,935	333,453	(8,518)
Total assets	4,839,157	4,427,773	411,384
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans and current portion of long-term debt	660,625	688	659,937
Trade payables	283,698	278,255	5,443
Accrued income taxes	22,367	47,431	(25,064)
Accrued expenses	302,658	317,653	(14,995)
Other current liabilities	169,812	171,302	(1,490)
Total current liabilities	1,439,160	815,329	623,831
Long-term debt, excluding current installments	794	881	(87)
Accrued pension and severance cost	278,303	296,262	(17,959)
Other noncurrent liabilities	88,226	130,838	(42,612)
Total liabilities	1,806,483	1,243,310	563,173
Equity:			
Canon Inc. shareholders' equity:			
Common stock	174,762	174,762	-