

CANON INC
Form 6-K
July 25, 2014

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 **July**, **2014**,

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 . **July 25, 2014**

By /s/ Shinichi Aoyama
(Signature)*

Shinichi Aoyama
General Manager
Consolidated Accounting Div.
Canon Inc.

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

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2014

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND**THE FIRST HALF ENDED JUNE 30, 2014**

July 24, 2014

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

			Actual			
	Three months ended June 30, 2014	Three months ended June 30, 2013	Change(%)		Three months ended June 30, 2014	
Net sales	¥ 926,796	¥ 966,880	-	4.1	\$ 9,176,198	
Operating profit	110,549	98,354	+	12.4	1,094,545	
Income before income taxes	116,975	98,868	+	18.3	1,158,168	
Net income attributable to Canon Inc.	¥ 80,848	¥ 66,496	+	21.6	\$ 800,475	

Net income attributable to Canon Inc. stockholders per share:

- Basic	¥ 72.61	¥ 57.68	+	25.9	\$ 0.72	
- Diluted	72.61	57.68	+	25.9	0.72	

CONSOLIDATED RESULTS FOR THE FIRST HALF

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

			Actual		Projected		
	Six months ended June 30, 2014	Six months ended June 30, 2013	Change(%)		Six months ended June 30, 2014	Year ending December 31, 2014	Change(%)
Net sales	¥ 1,795,108	¥ 1,783,533	+	0.6	\$ 17,773,347	¥ 3,780,000	+ 1.3
Operating profit	193,188	153,127	+	26.2	1,912,752	365,000	+ 8.2
Income before income taxes	196,166	159,123	+	23.3	1,942,238	370,000	+ 6.4
	¥ 128,458	¥ 107,409	+	19.6	\$ 1,271,861	¥ 240,000	+ 4.1

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

- Basic	¥	114.47	¥	93.17	+	22.9	\$	1.13	¥	215.31	+	7.2
- Diluted		114.47		93.17	+	22.9		1.13		-		-

	As of June 30, 2014	Actual As of December 31, 2013	Change(%)	As of June 30, 2014
Total assets	¥ 4,093,780	¥ 4,242,710	- 3.5	\$ 40,532,475
Canon Inc. stockholders equity	¥ 2,827,052	¥ 2,910,262	- 2.9	\$ 27,990,614

- 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 JPY101=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2014, solely for the convenience of the reader.

Canon Inc.
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,
Tokyo 146-8501, Japan
Phone: +81-3-3758-2111

I. Operating Results and Financial Conditions

2014 Second Quarter in Review

Looking back at the global economy in the second quarter of 2014, in the United States, although the economy has recovered steadily from the impact of the major cold wave that struck the country at the beginning of the year, the improvement has yet to stimulate consumer spending. In Europe, although uncertainty remained due to the political unrest in Ukraine, Germany and the U.K. have realized moderate economic recoveries. China and other emerging countries faced modest economic growth. As for Japan, the economy experienced a rebound following the rush in demand leading up to the hike in the country's consumption tax. As a result, the growth of global economy overall during the second quarter continued to be sluggish.

As for the markets in which Canon operates amid these conditions, demand for office multifunction devices (MFDs) and laser printers maintained steady growth. Demand for interchangeable-lens digital cameras decreased in Japan as a result of the rebound in the wake of the rush in demand prior to the consumption tax increase, while demand overseas showed signs of recovery in China. As for digital compact cameras, demand continued to shrink in both developed countries as well as emerging markets. Looking at the overall market for inkjet printers, demand decreased from the previous year. In the industry and others sector, a rebound in capital investment for both image sensors and memory devices led to a pickup in demand for semiconductor lithography equipment, while demand for lithography equipment used in the production of FPD recovered for large-size panels.

The average values of the yen during the second quarter and first half of the year were ¥102.13 and ¥102.40 to the U.S. dollar, respectively, year-on-year depreciations of approximately ¥3 and ¥6, and ¥139.94 and ¥140.35 to the euro, respectively, year-on-year depreciations of approximately ¥11 and ¥14.

During the second quarter, sales of MFDs remained firm while sales in the industrial equipment increased significantly. Conversely, demand for digital compact cameras continued to shrink while net sales of inkjet printers decreased owing to the increase in consumption tax in Japan. Consequently, second-quarter net sales decreased 4.1% year on year to ¥926.8 billion (U.S.\$9,176 million), while net sales for the six months ended June 30, 2014 totaled ¥1,795.1 billion (U.S.\$17,773 million), a year-on-year increase of 0.6% owing to the sales increase in the first quarter. The gross profit ratio for the second quarter rose 2.8 points year on year to 52.2% thanks to the production shift to highly profitable high-added-value products and improvement of factory utilization by optimizing production along with the depreciation of the yen. The gross profit ratio for the first half of the year also increased by 2.6 points to 51.0%. Despite an increase in foreign-currency-denominated operating expenses due to the depreciation of the yen, Group-wide efforts to thoroughly reduce spending contributed to reduce operating expenses to ¥373.0 billion (U.S.\$3,693 million), a decrease of 1.6% year on year. As a result, operating profit increased by 12.4% to ¥110.5 billion (U.S.\$1,095 million). Other income increased by ¥5.9 billion (U.S.\$59 million) due to foreign currency exchange gains while income before income taxes increased by 18.3% year on year to ¥117.0 billion (U.S.\$1,158 million). Net income attributable to Canon Inc. increased by 21.6% to ¥80.8 billion (U.S.\$800 million). Operating profit for the first half of the year increased by 26.2% to ¥193.2 billion (U.S.\$1,913 million) while income before income taxes increased 23.3% year on year to ¥196.2 billion (U.S.\$1,942 million). First-half net income attributable to Canon Inc. increased by 19.6% to ¥128.5 billion (U.S.\$1,272 million).

Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥72.61 (U.S.\$0.72), an increase of ¥14.93 (U.S.\$0.15) compared with the corresponding quarter of the previous year, and ¥114.47 (U.S.\$1.13) for the first half, a year-on-year increase of ¥21.30 (U.S.\$0.21).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, sales of the color office MFDs, remained the same level as the year-ago period led by the healthy growth of imageRUNNER ADVANCE C5200 series. As for high-speed continuous-feed printers and wide-format printers, sales of the Océ ColorStream 3000 series showed solid growth. Among laser printers, although the sales of monochrome model remained sluggish, color multifunction models recorded growth. As a result, sales for the business unit totaled ¥522.5 billion (U.S.\$5,173 million), a year-on-year increase of 0.5%, while operating profit totaled ¥88.1 billion (U.S.\$872 million), increasing 15.7%. Sales for the combined first six months of the year totaled ¥1,031.7 billion (U.S.\$10,215 million), growing 4.8% year on year, while operating profit increased by 17.8% to ¥160.6 billion (U.S.\$1,590 million).

Within the Imaging System Business Unit, although sales volume of interchangeable-lens digital cameras declined owing to the shrinking market in Japan and other markets in Japan as a result of the rebound following the rush in demand prior to the consumption tax increase the advanced-amateur-model EOS 70D realized healthy growth, enabling Canon to maintain the top share in major markets such as Europe, the U.S. and Japan. As for digital compact cameras, despite a decline in total sales volume due to the contraction of the market and the increasing popularity of smartphones, sales of high-added-value models featuring high image quality and high-magnification zoom capabilities recorded solid growth, maintaining high market shares. As for inkjet printers, while sales volume declined from the same period of the previous year owing to the market contraction in Japan caused by the rebound in the wake of the rush in demand leading up to the consumption tax hike, sales of consumables remained at the same level as the previous year. As a result, sales for the business unit decreased by 13.9% to ¥332.4 billion (U.S.\$3,291 million) year on year, while operating profit totaled ¥51.0 billion (U.S.\$505 million), a decrease of 9.4%. Sales for the first six months totaled ¥625.2 billion (U.S.\$6,190 million), decreasing 8.6% year on year, while operating profit totaled ¥93.0 billion (U.S.\$921 million), an increase of 9.7% year on year.

In the Industry and Others Business Unit, with regard to the semiconductor lithography equipment, ongoing investment by memory device manufactures in response to healthy growing demand for smartphones and tablets led to increased second-quarter unit sales of lithography equipment while a recovery in investment for large-size panels, which had been restricted until now, boosted unit sales of FPD lithography equipment. Consequently, second-quarter sales for the business unit totaled ¥95.3 billion (U.S.\$944 million), an increase of 10.9% year on year, while operating profit recorded a loss of ¥2.5 billion (U.S.\$25 million) owing to the upfront investment, a improvement of ¥3.3 billion (U.S.\$33 million) from the year-ago period. Sales for the first half of the year totaled ¥185.1 billion (U.S.\$1,833 million), growing 15.0% year on year, while operating profit posted a loss of ¥10.1 billion (U.S.\$100 million).

Cash Flow

During the first half of 2014, cash flow from operating activities totaled ¥294.5 billion (U.S.\$2,916 million), an increase of ¥76.6 billion (U.S.\$758 million) compared with the previous year owing to the increase in profit. Although capital investment focused on new products, cash flow from investing activities increased ¥2.8 billion (U.S.\$28 million) year on year to ¥142.1 billion (U.S.\$1,407 million) as a result of an increase in the amount of time deposits included in short-term investments. Accordingly, free cash flow totaled ¥152.4 billion (U.S.\$1,509 million), an increase of ¥73.8 billion (U.S.\$730 million) compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥176.4 billion (U.S.\$1,746 million), mainly arising from the dividend payout and the repurchasing of treasury stock.

Owing to these factors, as well as the impact of foreign currency translation adjustments, cash and cash equivalents decreased by ¥44.2 billion (U.S.\$438 million) to ¥744.7 billion (U.S.\$7,373 million) from the end of the previous year.

Outlook

As for the outlook in the third quarter onward, there are signs of brightness among developed countries with the U.S. projected to realize steady economic growth and the European economy centering on Germany and the U.K. expected to continue its moderate recovery. Although uncertainties remain in China and other emerging countries, they are expected to continue to realize economic expansion. As for Japan, the economy has been recovering from the rebound following the increase in the consumption tax, and is projected to continue to realize healthy growth for the full year. The global economy is also expected to continue its moderate recovery.

In the businesses in which Canon is involved, demand for MFDs is projected to expand moderately, mainly for color models. Likewise, demand in the laser printer market is also expected to continue growing moderately, centered on multifunction models. As for interchangeable-lens digital cameras, while the demand remains unstable in Europe and Southeast Asia owing to the delayed economic recovery and political uncertainty, recovery is expected in the U.S. and Chinese market. Within the digital compact camera market, although projections point to market contraction, mainly among low-end models due to the popularity of smartphones, demand for high-added-value models featuring high image quality and high-magnification zoom capabilities, is expected to grow steadily. As for inkjet printers, the gradual recovery of the global economy is expected to bring an end to dwindling demand, with sales leveling off to remain in line with the previous year. As for the industrial equipment market, although the demand is expected to increase for semiconductor lithography equipment with manufacturers expected to continue making capital outlays amid growing demand projected for memory devices and sensors, as well as for FPDs owing to a stable supply-and-demand balance for panels, uncertainties remain in installment of certain equipment resulting from cautious forecast.

With regard to currency exchange rates for the third quarter onward, on which Canon's performance outlook is based, taking into account the uncertainties in the future, Canon anticipates exchange rates of ¥100 to the U.S. dollar and ¥135 to the euro, representing depreciations of approximately ¥3 against the U.S. dollar, and approximately ¥8 against the euro compared with the annual average rates of the previous year.

Upon taking into consideration these foreign exchange rate assumptions and delay in the installment of semiconductor lithography equipment along with sluggish overseas camera market, Canon projects full-year consolidated net sales in 2014 of ¥3,780.0 billion (U.S.\$37,426 million), a year on year increase of 1.3%; operating profit of ¥365.0 billion (U.S.\$3,614 million), a year-on-year increase of 8.2%; income before income taxes of ¥370.0 billion (U.S.\$3,663 million), a year-on-year increase of 6.4%; and net income attributable to Canon Inc. of ¥240.0 billion (U.S.\$2,376 million), a year-on-year increase of 4.1%.

Consolidated Outlook

Fiscal year

Millions of yen

	Year ending December 31, 2014	Change	Year ended December 31, 2013	Change (%)
	Revised Outlook (B)	(B - A)	Results (C)	(B - C) / C
	Previous Outlook (A)			

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Net sales	¥ 3,860,000	¥	3,780,000	¥	(80,000)	¥	3,731,380	+1.3%
Operating profit	365,000		365,000		-		337,277	+8.2%
Income before income taxes	370,000		370,000		-		347,604	+6.4%
Net income attributable to Canon Inc.	¥ 240,000	¥	240,000	¥	-	¥	230,483	+4.1%

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Basic Policy Regarding Profit Distribution

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

Canon Inc. plans to distribute an interim dividend of ¥65.00 (U.S.\$0.64) per share for the fiscal year 2014, half the amount of the annual dividend paid out in fiscal 2013, to provide a stable return to shareholders. The year-end dividend, however, has yet to be decided.

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.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	As of June 30, 2014	Millions of yen As of December 31, 2013	Change	Thousands of U.S. dollars As of June 30, 2014
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 744,684	¥ 788,909	¥ (44,225)	\$ 7,373,109
Short-term investments	77,007	47,914	29,093	762,446
Trade receivables, net	533,770	608,741	(74,971)	5,284,851
Inventories	533,445	553,773	(20,328)	5,281,634
Prepaid expenses and other current assets	288,154	286,605	1,549	2,853,010
Total current assets	2,177,060	2,285,942	(108,882)	21,555,050
Noncurrent receivables	29,533	19,276	10,257	292,406
Investments	57,795	70,358	(12,563)	572,228
Property, plant and equipment, net	1,243,881	1,278,730	(34,849)	12,315,653
Intangible assets, net	141,855	145,075	(3,220)	1,404,505
Other assets	443,656	443,329	327	4,392,633
Total assets	¥ 4,093,780	¥ 4,242,710	¥ (148,930)	\$ 40,532,475
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 993	¥ 1,299	¥ (306)	\$ 9,832
Trade payables	300,572	307,157	(6,585)	2,975,960
Accrued income taxes	61,601	53,196	8,405	609,911
Accrued expenses	284,242	315,536	(31,294)	2,814,277
Other current liabilities	163,528	171,119	(7,591)	1,619,089
Total current liabilities	810,936	848,307	(37,371)	8,029,069
Long-term debt, excluding current installments	1,164	1,448	(284)	11,525
Accrued pension and severance cost	203,463	229,664	(26,201)	2,014,485
Other noncurrent liabilities	92,358	96,514	(4,156)	914,436
Total liabilities	1,107,921	1,175,933	(68,012)	10,969,515

Equity:

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Canon Inc. stockholders equity:
Common stock

174,762

174,762

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