

CANON INC  
Form 6-K  
January 30, 2019

**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**, **2019**,

**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 30, 2019**

By...../s/..... Sachiho Tanino.....  
(Signature)\*

Sachiho Tanino  
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. RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2018

**RESULTS FOR THE FOURTH QUARTER**  
**AND THE FISCAL YEAR ENDED DECEMBER 31, 2018**

January 30, 2019

**CONSOLIDATED RESULTS**

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

	Actual			Projected		
	Year ended December 31, 2018	Year ended December 31, 2017	Change(%)	Year ended December 31, 2018	Year ending December 31, 2019	Change(%)
Net sales	¥ 3,951,937	¥ 4,080,015	- 3.1	\$ 35,603,036	¥ 3,900,000	- 1.3
Operating profit	342,952	321,605	+ 6.6	3,089,658	325,000	- 5.2
Income before income taxes	362,892	353,884	+ 2.5	3,269,297	347,500	- 4.2
Net income attributable to Canon Inc.	¥ 252,755	¥ 241,923	+ 4.5	\$ 2,277,072	¥ 240,000	- 5.0

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

- Basic	¥ 234.09	¥ 222.88	+ 5.0	\$ 2.11	¥ 222.27	- 5.0
- Diluted	234.08	222.88	+ 5.0	2.11	222.26	- 5.0

	Actual			As of		
	As of December 31, 2018	As of December 31, 2017	Change(%)	As of December 31, 2018		
Total assets	¥ 4,899,465	¥ 5,198,291	- 5.7	\$ 44,139,324		
Canon Inc. shareholders equity	¥ 2,827,602	¥ 2,870,630	- 1.5	\$ 25,473,892		

- 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 111= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28, 2018, solely for the convenience of the reader.

Canon Inc.  
Headquarter office

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



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## I. Operating Results and Financial Conditions

### 2018 in Review

Looking back at the global economy in 2018, the U.S. economy steadily recovered as corporate earnings and employment conditions improved. In Europe, while domestic demand remained firm, the rate of growth decelerated due to sluggish export growth. In China, the economy slowed down due to sluggish capital investments and a decline in consumer spending. The economies of other emerging markets also worsened, due to such factors as local currency depreciation. In Japan, the economy recovered moderately supported by continuing improvements in employment conditions. As a result, the global economy overall continued to realize a moderate recovery. However, the pace of economic growth slowed down from the latter half of the year as a result of trade friction.

As for the markets in which Canon operates amid these conditions, office multifunction devices ( MFDs ) and laser printers enjoyed solid demand due to the shift from monochrome to color models and robust demand in emerging markets. The decline of the camera market continued and the market for inkjet printers was slightly below the level of the previous year. On the other hand, demand for medical equipment grew moderately. Within the Industry and Others sector, capital investment in semiconductor lithography equipment increased, while capital investment in organic LED ( OLED ) panel manufacturing equipment faced a temporary slowdown. Demand for network cameras enjoyed solid growth.

The average value of the yen during the year was ¥110.43 against the U.S. dollar, a year-on-year appreciation of approximately ¥2, and ¥130.29 against the euro, a year-on-year depreciation of approximately ¥4.

During 2018, unit sales of office MFDs increased compared with the previous year due to the expanded sales of color models, mainly outside of Japan. Additionally, unit sales of both monochrome and color laser printers increased compared with the previous year, supported by the steady sales of newly launched models. Total sales volume of interchangeable-lens digital cameras decreased compared with the previous year due to contraction of the market mainly for entry-class models. However, sales of mirrorless cameras increased. Looking at inkjet printers, although sales unit of refillable ink tank models increased in emerging markets, unit sales overall decreased compared with the previous year, due to decreasing demand in developed economies. For medical equipment, newly launched diagnostic ultrasound systems and magnetic resonance imaging ( MRI ) systems experienced solid demand, mainly outside of Japan, achieving increased sales compared with the previous year. For industrial equipment, sales of semiconductor lithography equipment increased significantly compared with the previous year, thanks to favorable market conditions. However, manufacturing equipment for OLED panels decreased compared with the previous year mainly due to a slowdown in investment in OLED panels. Sales of network cameras increased steadily in response to the growing market. Under these conditions, net sales for the year decreased by 3.1% year on year to ¥3,951.9 billion. In addition, the gross profit ratio dropped by 2.4 points to 46.4%. 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 0.6 points to 49.4%. Operating expenses decreased by 10.6% year on year to ¥1,492.6 billion, thanks to Group-wide efforts to thoroughly manage expenses as well as impairment loss on goodwill of commercial printing business during the previous year in addition to the impact of the aforementioned reclassification of figures related to the adoption of new accounting standards. As a result, operating profit increased by 6.6% to ¥343.0 billion. Other income (deductions) decreased by ¥12.3 billion, mainly due to gain on securities contributed to the retirement benefit trust during the previous year, while income before income taxes increased by 2.5% year on year to ¥362.9 billion and net income attributable to Canon Inc. increased by 4.5% to ¥252.8 billion.

Basic net income attributable to Canon Inc. shareholders per share for the year was ¥234.09, a year-on-year increase of ¥11.21.



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## Results by Segment

Looking at Canon's full-year performance by business unit, starting with the Office Business Unit, unit sales of office MFDs increased from the previous year, thanks to expanded sales of such color models as the imageRUNNER ADVANCE Gen3 2nd Edition series, which enhances convenience through compatibility with external cloud services, and the imageRUNNER C3020 series of strategic models for emerging markets. As for laser printers, sales of hardware increased from the previous year, supported by steady sales mainly of new models that achieve low power consumption, compact body designs and high productivity. Sales of consumables remained at the same level as the previous year. These factors resulted in total sales for the business unit of ¥1,807.3 billion, a year-on-year increase of 0.1%, while income before income taxes increased by 17.3% year on year to ¥229.2 billion partly due to impairment loss on goodwill during the previous year.

Looking at the Imaging System Business Unit, although unit sales of interchangeable-lens digital cameras decreased overall compared with the previous year due to shrinking market, Canon maintained the top share of the overall interchangeable-lens digital cameras market, mainly in key countries in Europe and the Americas as well as in Japan and China. In mirrorless cameras, sales were strong for such new models as the EOS R, Canon's first mirrorless camera equipped with a full-frame sensor, and the entry-class EOS Kiss M. As for digital compact cameras, although unit sales decreased compared with the previous year amid the shrinking market, sales of such high-value-added models as the PowerShot G-series enjoyed solid demand. For inkjet printers, unit sales of refillable ink tank models increased significantly in emerging markets. However, unit sales decreased overall compared with the previous year, mainly due to the shrinking market in developed economies. For large format inkjet printers, the imagePROGRAF TX series, which is suitable for outputting CAD drawings and poster designs, garnered high praise from the market and enjoyed solid sales. As a result, sales for the business unit decreased by 11.3% year on year to ¥1,008.2 billion, while income before income taxes decreased by 31.1% year on year to ¥121.3 billion.

Within the Medical System Business Unit, sales increased due to such newly launched products as the Alphenix-series of next-generation diagnostic X-ray systems and the Vantage Orian, a high-image-quality MRI system incorporating leading-edge technology. As a result, sales for the business unit increased by 0.3% year on year to ¥437.6 billion, while income before income taxes increased by 31.0% year on year to ¥29.5 billion.

In the Industry and Others Business Unit, unit sales of semiconductor lithography equipment increased from the previous year due to increasing demand for memory devices used in data centers. However, for flat panel display (FPD) lithography equipment and OLED panel manufacturing equipment, sales decreased compared with the previous year mainly due to a temporary slowdown in investment in OLED panels. As for network cameras, Axis enjoyed solid sales amid increasing market demand. Consequently, sales for the business unit increased by 1.6% year on year to ¥805.2 billion, while income before income taxes increased by 60.7% year on year to ¥67.6 billion.

## Cash Flow

During 2018, cash flow from operating activities totaled ¥365.3 billion, a decrease of ¥225.3 billion compared with the previous year, mainly owing to increased working capital and payment of income taxes. Cash flow from investing activities increased by ¥30.6 billion year-on-year to ¥195.6 billion mainly due to an increase in payment for acquisitions of businesses. Accordingly, free cash flow totaled ¥169.7 billion, a decrease of ¥255.9 billion compared with the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥354.8 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 ¥201.2 billion to ¥520.6 billion from the end of the previous year.





## Outlook

As for the outlook for 2019, with regard to the U.S. economy, while consumer spending is expected to grow steadily, the rate of growth is expected to slow due to the waning effects of the country's tax reform. For the European economy, external demand is expected to remain weak in Germany and uncertainty surrounding impasses in Brexit negotiations is expected to continue. Although China is working to stabilize its economy through changes in monetary and fiscal policy, conditions are expected to worsen due to trade friction, and as a knock-on effect, emerging economies, including Southeast Asia, are expected to remain weak. With regard to the Japanese economy, while capital investment continues to increase, external demand is expected to remain at a standstill. The global economy is expected to continue to slow down from the latter half of 2018 and overall, there are concerns of further economic slowdown occurring as a result of intensifying trade friction.

In the businesses in which Canon is involved, for office MFDs, color models are expected to grow steadily. Overall demand for laser printers is expected to remain at the same level as that of the previous year, supported by the trend of shifting from monochrome to color models and increasing demand in emerging markets. For interchangeable-lens digital cameras, while demand for interchangeable-lens digital cameras equipped with full-frame sensors is expected to grow steadily, overall demand is expected to decrease. Projections for digital compact cameras indicate continued market contraction, centered mainly on low-priced models. With regard to inkjet printers, demand is expected to continue to decrease slightly from the previous year.

As for the medical equipment market, demand is expected to remain firm, mainly outside of Japan, with increasing demand in emerging markets and increased demand for advanced medical care in the United States and Europe. Looking at industrial equipment, as for the semiconductor lithography equipment, while demand for automotive devices is expected to increase, capital investment is expected to slow down for memory devices. For FPD lithography equipment and OLED panel manufacturing equipment, capital investment in small- and medium-size display panels is expected to continue to slow down. As for network cameras, demand is expected to continue expanding for high-spec models and image analysis software due to the growing use of network cameras for a widening range of applications.

With regard to currency exchange rates for the year, on which Canon's performance outlook is based, Canon anticipates exchange rates of ¥105 to the U.S. dollar and ¥125 to the euro, representing appreciations of approximately ¥5 against both the U.S. dollar and the euro compared with the annual average rates of the previous year.

Upon taking into consideration the current economic forecast, Canon projects full-year consolidated net sales in 2019 of ¥3,900.0 billion, a year-on-year decrease of 1.3%; operating profit of ¥325.0 billion, a year-on-year decrease of 5.2%; income before income taxes of ¥347.5 billion, a year-on-year decrease of 4.2%; and net income attributable to Canon Inc. of ¥240.0 billion, a year-on-year decrease of 5.0%.

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. 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

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

	As of December 31, 2018	Millions of yen As of December 31, 2017	Change
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	520,645	721,814	(201,169)
Short-term investments	956	1,965	(1,009)
Trade receivables, net	612,953	650,872	(37,919)
Inventories	611,281	570,033	41,248
Prepaid expenses and other current assets	304,346	287,965	16,381
Total current assets	2,050,181	2,232,649	(182,468)
Noncurrent receivables	18,230	35,444	(17,214)
Investments	42,556	48,320	(5,764)
Property, plant and equipment, net	1,090,992	1,126,620	(35,628)
Intangible assets, net	391,021	420,972	(29,951)
Goodwill	908,511	936,722	(28,211)
Other assets	397,974	397,564	410
Total assets	4,899,465	5,198,291	(298,826)
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Short-term loans and current portion of long-term debt	38,527	39,328	(801)
Trade payables	352,489	380,654	(28,165)
Accrued income taxes	41,264	77,501	(36,237)
Accrued expenses	321,137	330,188	(9,051)
Other current liabilities	276,237	281,809	(5,572)
Total current liabilities	1,029,654	1,109,480	(79,826)
Long-term debt, excluding current installments	361,962	493,238	(131,276)
Accrued pension and severance cost	382,789	365,582	17,207
Other noncurrent liabilities	107,147	133,816	(26,669)
Total liabilities	1,881,552	2,102,116	(220,564)
Equity:			
Canon Inc. shareholders' equity:			

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Common stock	<b>174,762</b>	174,762	-
Additional paid-in capital	<b>404,389</b>	401,386	3,003
Legal reserve	<b>67,116</b>	66,879	237
Retained earnings	<b>3,508,908</b>	3,429,312	79,596
Accumulated other comprehensive income (loss)	<b>(269,071)</b>	(143,228)	(125,843)
Treasury stock, at cost	<b>(1,058,502)</b>	(1,058,481)	(21)
Total Canon Inc. shareholders equity	<b>2,827,602</b>	2,870,630	(43,028)
Noncontrolling interests	<b>190,311</b>	225,545	(35,234)
Total equity	<b>3,017,913</b>	3,096,175	(78,262)
Total liabilities and equity	<b>4,899,465</b>	5,198,291	(298,826)

Millions of yen

	<b>As of December 31, 2018</b>	As of December 31, 2017
Notes:		
1. Allowance for doubtful receivables	<b>11,477</b>	13,378
2. Accumulated depreciation	<b>2,671,922</b>	2,638,055
3. Accumulated other comprehensive income (loss):		
Foreign currency translation adjustments	<b>(63,815)</b>	30,208
Net unrealized gains and losses on securities	-	5,484
Net gains and losses on derivative instruments	<b>308</b>	(180)
Pension liability adjustments	<b>(205,564)</b>	(178,740)

## 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			
	<b>Three months ended</b>	Three months ended	Change(%)	
	<b>December 31, 2008</b>	December 31, 2007		
Net sales	<b>1,058,340</b>	1,120,291	-	5.5
Cost of sales	<b>569,063</b>	574,258		
Gross profit	<b>489,277</b>	546,033	-	10.4
Operating expenses:				
Selling, general and administrative expenses	<b>306,413</b>	347,901		
Research and development expenses	<b>83,286</b>	87,632		
Impairment losses on goodwill	<b>-</b>	33,912		
	<b>389,699</b>	469,445		
Operating profit	<b>99,578</b>	76,588	+	30.0
Other income (deductions):				
Interest and dividend income				(except to as vote marked for to all the nominees contrary listed below). above.
	<b>1,174</b>	1,478		

*(Instruction: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below).*

2. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent accountants for the Company's fiscal year ending December 31, 2007.

**FOR**

**AGAINST**

**ABSTAIN**

3. In their discretion, to vote upon such other business as may properly come before the meeting.

*(Continued on reverse side)*