

CANON INC
Form 6-K
January 28, 2010

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**..... , **2010**

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 27, 2010**....

By...../s/..... Masashiro Kobayashi
(Signature)*

Masashiro Kobayashi
General Manager
Global Finance 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, 2009

RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2009

January 27, 2010

CONSOLIDATED RESULTS

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

	Year ended December 31, 2009	Actual			Year ended December 31, 2009	Projected	
		Year ended December 31, 2008		Change(%)		Year ending December 31, 2010	Change(%)
Net sales	¥3,209,201	¥4,094,161	-	21.6	\$34,882,620	¥3,450,000	+ 7.5
Operating profit	217,055	496,074	-	56.2	2,359,293	330,000	+52.0
Income before income taxes	219,355	481,147	-	54.4	2,384,293	320,000	+45.9
Net income attributable to Canon Inc.	¥ 131,647	¥ 309,148	-	57.4	\$ 1,430,946	¥ 200,000	+51.9
Net income attributable to Canon Inc. stockholders per share:							
- Basic	¥ 106.64	¥ 246.21	-	56.7	\$ 1.16	¥ 162.01	+51.9
- Diluted	106.64	246.20	-	56.7	1.16	-	-

	As of December 31, 2009	Actual			As of December 31, 2008
		As of December 31, 2008		Change(%)	
Total assets	¥3,847,557	¥3,969,934	-	3.1	\$41,821,272
Canon Inc. stockholders equity	¥2,688,109	¥2,659,792	+	1.1	\$29,218,576

- Notes:
- Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
 - Canon adopted the guidance for noncontrolling interests in consolidated financial statements in the fiscal year beginning January 1, 2009.
In accordance with the adoption of the guidance, consolidated net income has been renamed to net income attributable to Canon Inc.
 - U.S. dollar amounts are translated from yen at the rate of JPY92 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2009, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

Actual

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	Year ended December 31, 2009	Year ended December 31, 2008	Change(%)	Year ended December 31, 2009
Net sales	¥ 2,025,546	¥ 2,721,094	- 25.6	\$ 22,016,804
Operating profit	97,777	358,706	- 72.7	1,062,793
Ordinary profit	142,684	359,086	- 60.3	1,550,913
Net income	¥ 80,778	¥ 224,135	- 64.0	\$ 878,022
Net income per share:				
- Basic	¥ 65.44	¥ 178.50	- 63.3	\$ 0.71
- Diluted	65.43	178.49	- 63.3	0.71
Dividend per share	110.00	110.00	-	1.20

	As of December 31, 2009	Actual As of December 31, 2008	Change(%)	As of December 31, 2009
Total assets	¥ 2,551,100	¥ 2,618,998	- 2.6	\$ 27,729,348
Net assets	¥ 1,812,718	¥ 1,865,005	- 2.8	\$ 19,703,457

Note: U.S. dollar amounts are translated from yen at the rate of JPY 92= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2009, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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I. Operating Results and Financial Conditions

2009 in Review

Looking back at the global economy in fiscal 2009, although the year began amid an unprecedentedly harsh business climate, economic stimulus measures implemented by different countries have started to yield results, leading to moderate recoveries as the second half of the year approached. Although countries such as China and India, whose economies have rapidly grown in prominence, maintained their stable growth largely owing to increased consumer spending, developed countries such as Japan, the United States and European nations all recorded negative growth for the first time since the end of World War II, leading to negative growth overall around the globe.

As for the markets in which Canon operates amid these conditions, within the office equipment market, demand for both color and monochrome models of network digital multifunction devices (MFDs) decreased in each region. While sales for laser printers also remained weak, dropping below the year-ago level, the rate of decline gradually narrowed toward the second half of the year. As for the consumer products market, while demand for compact digital cameras remained sluggish and prices continued to decline, demand for digital single-lens reflex (SLR) cameras displayed solid growth especially in overseas markets. With regard to inkjet printers, although demand continued to be slack, which led to a reduction in market size compared with the previous year, conditions started to improve toward the end of the year. In the industry and others market, demand for steppers, utilized in the production of semiconductors, declined significantly while demand for aligners, used to produce liquid crystal display (LCD) panels, also slowed but showed signs of a recovery heading into the next fiscal year. The average value of the yen during the year was ¥93.21 to the U.S. dollar, a year-on-year appreciation of approximately ¥10, and ¥130.46 to the euro, a year-on-year appreciation of approximately ¥21.

Although the markets for such consumer products as cameras and inkjet printers are clearly bottoming out amid the significantly stronger yen, which has had an impact on all of the company's businesses, net sales for the year totaled ¥3,209.2 billion (U.S.\$34,883 million), a year-on-year decline of 21.6%, mainly due to the effects of reduced sales volumes of office products throughout the year. Despite the launch of new products and ongoing cost-cutting efforts aimed at an improved gross profit ratio, the impact of such factors as the substantial appreciation of the yen and the drop in sales value led to a 2.8 point decline in the ratio to 44.5%. Consequently, gross profit decreased by 26.3% to ¥1,427.4 billion (U.S.\$15,515 million) for the full year. While operating expenses decreased by 16.1% owing to continued Group-wide efforts to thoroughly cut spending, operating profit dropped 56.2% to ¥217.1 billion (U.S.\$2,359 million). Despite the decreased interest income due to the lower rate of return on cash and cash equivalents, other income (deductions) recorded a positive turnaround of ¥17.2 billion (U.S.\$187 million), mainly reflecting an improvement in currency exchange losses and earnings on investments in affiliates accounted for by the equity method. As a result, income before income taxes totaled ¥219.4 billion (U.S.\$2,384 million), a year-on-year decline of 54.4%, while net income attributable to Canon Inc. also decreased by 57.4% to ¥131.6 billion (U.S.\$1,431 million).

Basic net income attributable to Canon Inc. stockholders per share was ¥106.64 (U.S.\$1.16), a year-on-year decline of ¥139.57 (U.S.\$1.52) compared with the previous year.

Results by Product Segment

Looking at Canon's full-year performance by business sector, within the office business unit, demand for office equipment decreased overall amid the deterioration of economic conditions. Sales of network digital MFDs remained low in all regions while demand for laser printers decreased substantially compared with the previous year despite the optimization of inventory levels being in sight. Consequently, sales for the segment, including the impact of the strong yen, totaled ¥1,645.1 billion (U.S.\$17,881 million), a drop of 26.8% year on year. Operating profit fell 49.8% to ¥229.4 billion (U.S.\$2,493 million), mainly due to the decrease in gross profit stemming from the significant reduction in sales.

Within the consumer business unit, sales volumes of such new products as the competitively priced EOS Digital Rebel T1i (EOS 500D) and advanced-amateur model EOS 7D digital SLR cameras recorded solid growth. As for compact digital cameras, although stagnant market conditions led to a contraction in sales volume, the Company reinforced its product lineup through the launch of six new ELPH (IXUS)-series models and nine new PowerShot-series models. As for inkjet printers, although the market overall remained sluggish, sales in the Americas and Asia displayed healthy growth, contributing to a year-on-year increase in sales volume. Sales for the segment as a whole, however, declined 10.6% year on year to ¥1,301.2 billion (U.S.\$14,143 million) due to the significant impact of the yen's appreciation. Operating profit decreased by 17.8% to ¥183.5 billion (U.S.\$1,994 million), largely reflecting the decrease in gross profit arising from the reduction in sales.

In the industry and others business unit, sales of steppers remained sluggish amid worsening market conditions for memory chips, while sales of aligners dropped due to restrained capital investment by LCD panel manufacturers. As a result, sales for the segment totaled ¥358.0 billion (U.S.\$3,891 million), a decrease of 31.5%, while operating profit dropped to negative ¥76.0 billion (U.S.\$826 million), due to the significant drop in sales along with the early disposal of assets, including excess production equipment, based on a fundamental reassessment of the business structure for steppers.

Cash Flow

Although Canon recorded a decline in profits in 2009, cash flow from operating activities totaled ¥611.2 billion (U.S.\$6,644 million), a slight decrease of ¥5.4 billion (U.S.\$59 million) compared with the previous year, as a result of the substantial progress achieved in inventory-reduction efforts. As capital investment was focused on items relevant to introducing new products in principal, cash flow from investing activities totaled ¥370.2 billion (U.S.\$4,024 million), a year-on-year decrease of ¥102.2 billion (U.S.\$1,111 million). Accordingly, free cash flow totaled ¥241.0 billion (U.S.\$2,619 million), an increase of ¥96.8 billion (U.S.\$1,052 million) from the previous year. Cash flow from financing activities recorded an outlay of ¥142.4 billion (U.S.\$1,548 million), mainly arising from the dividend payout of ¥135.8 billion (U.S.\$1,476 million). Consequently, cash and cash equivalents increased by ¥115.8 billion (U.S.\$1,259 million) to ¥795.0 billion (U.S.\$8,642 million) from the end of the previous year.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,025.5 billion (U.S.\$22,017 million), a year-on-year decrease of 25.6%, ordinary profit declined by 60.3% to ¥142.7 billion (U.S.\$1,551 million), and net income fell by 64.0% to ¥80.8 billion (U.S.\$878 million).

Outlook

As for the outlook for the global economy in fiscal 2010, although China and other emerging nations with significantly expanding economies are expected to continue enjoying steady growth, deteriorating employment conditions and other factors make it difficult to predict the economic prospects for developed countries even though they are projected to realize positive growth. While some leading indicators have pointed to a bottoming out and conditions are expected to slowly head toward a path of recovery as a result of various economic stimulus packages and financial policies launched at the national level, considerable time will likely be needed before the global economy realizes a full-fledged turnaround.

In the businesses in which Canon is involved, with regard to network digital MFDs and laser printers in the office equipment market, demand is expected to gradually increase following the bottoming out of the segment. With respect to the consumer products market, demand for digital SLR cameras is forecasted to achieve solid growth, whereas demand for compact digital cameras and inkjet printers will also head toward a recovery trend. As for the industry and others market, projections call for a modest recovery in demand for steppers as device makers reassess their capital expenditure plans, and demand for aligners is also expected to increase as LCD panel manufacturers gear up to boost production.

With regard to currency exchange rates for the full year, on which Canon's performance outlook is based, despite the continued uncertainty over future interest rate policies for major countries along with the speed and level of economic recovery and other factors, Canon anticipates exchange rates for the period of ¥90 to the U.S. dollar and ¥130 to the euro, representing an appreciation of approximately ¥3 against the U.S. dollar, and relatively the same value for the euro compared with the previous year. Upon taking into consideration current business sentiment based on these foreign exchange rate assumptions, Canon projects net sales of ¥3,450.0 billion (U.S.\$37,500 million), a year-on-year increase of 7.5%; operating profit of ¥330.0 billion (U.S.\$3,587 million), a year-on-year increase of 52.0%; income before income taxes of ¥320.0 billion (U.S.\$3,478 million), a year-on-year increase of 45.9%; and net income attributable to Canon Inc. of ¥200.0 billion (U.S.\$2,174 million), a year-on-year increase of 51.9%.

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 planned future investments, free cash flow, and reflecting the company's consolidated business performance. Specifically, Canon's basic policy is to continuously strive to raise its consolidated payout ratio to approximately 30% over the medium to long term.

The company recorded a decrease in profits amid extremely severe economic conditions but, prioritizing stable returns to shareholders, plans to distribute a full-year dividend totaling ¥110.00 (U.S.\$1.20) per share (interim dividend of ¥55.00 [U.S.\$0.60] per share [already distributed], and year-end dividend of ¥55.00 [U.S.\$0.60]), the same amount per share as was paid out in 2008.

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 corporate group targeting continued growth and development.

(2) Management Goals

Based on this basic management policy, Canon launched two consecutive five-year management plans Phase I of its Excellent Global Corporation Plan in 1996, and Phase II in 2001 with the aim of becoming a truly excellent global corporation. Through these two management plans, the Company promoted a range of management reforms, thoroughly strengthening its product competitiveness and financial base. Since 2006, under a new five-year management plan Phase III, which targets further growth and improved corporate value Canon is pursuing sound growth, making use of the solid management foundation achieved through the two preceding plans, and further expanding its corporate scale while maintaining a high level of profitability. In particular, the Company is focusing on the following five important management objectives.

- 1) Achieving the overwhelming No. 1 position worldwide in all current core businesses
- 2) Expanding business operations through diversification
- 3) Identifying new business domains and accumulating required technologies
- 4) Establishing new production systems to sustain international competitiveness
- 5) Nurturing truly autonomous and strong individuals promoting everlasting corporate reforms

In 2009, however, due to the global recession triggered by the Lehman Shock, Canon was forced to temporarily shift its strategic direction, changing course from a focus on sound growth to improved management quality. Through such efforts as the promotion of thorough expense and capital-investment efficiencies and the establishment of advanced supply-chain management enabling inventory reductions, the Company made progress in establishing a muscular business constitution and enhancing corporate strength to agilely respond to changes in its business environment.

While the global economy currently appears to be on track for a recovery, because it appears that it will take the form of an L-shaped recovery, we expect the surrounding business environment will continue to prove difficult. Faced with these circumstances, Canon will again aim to realize sound growth, capitalizing on the future turnaround to post results that outpace the speed of the economic recovery, employing a new growth strategy in this, the final year of the Company's Excellent Global Corporation Plan Phase III, which is being viewed as the first year in a new era of growth.

(3) Business Challenges and Countermeasures

At Canon, the creation of new businesses and maintaining a high profitability structure represent two very important management objectives to ensure continuous future growth.

As for new businesses, the Company is promoting research based on leading-edge technologies in its areas of expertise, such as biotechnology, nanotechnology and life sciences. At the same time, Canon is also looking into M&A opportunities and business tie-ups toward launching such businesses. Additionally, the Company aims to enter the display business, moving away from a focus on still images while strengthening the ability to deliver video images, which will play an increasingly important role in the broadband era.

With regard to maintaining the Company's current high profitability structure, in order to effectively respond to the intensifying price competition centered on the consumer goods market and the investment burden that accompanies the launch of competitive new businesses, Canon believes that it is important to further improve the profit-earning ability of current businesses. To facilitate this, the Company is promoting the development of competitive new products and actively carrying out cost-reduction activities.

Canon also views its approach to the environment as an important management issue. From the product planning stage through to design, development, production, sales, use, recovery and recycling, the Company focuses its energies on

such areas as creating environmentally conscious products that realize energy efficiency, resource efficiency, and eliminate the use of hazardous substances. Additionally, Canon actively promotes the development of recycling systems, the expansion of green procurement policies, the disclosure of environmental information, and participation in environmental conservation activities at the community level.

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	Millions of yen			Thousands of U.S. dollars
	As of December 31, 2009	As of December 31, 2008	Change	As of December 31, 2009
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 795,034	¥ 679,196	¥ 115,838	\$ 8,641,674
Short-term investments	19,089	7,651	11,438	207,489
Trade receivables, net	556,572	595,422	(38,850)	6,049,696
Inventories	373,241	506,919	(133,678)	4,056,967
Prepaid expenses and other current assets	273,843	275,660	(1,817)	2,976,554
Total current assets	2,017,779	2,064,848	(47,069)	21,932,380
Noncurrent receivables	14,936	14,752	184	162,348
Investments	114,066	88,825	25,241	1,239,848
Property, plant and equipment, net	1,269,785	1,357,186	(87,401)	13,802,011
Intangible assets, net	117,396	119,140	(1,744)	1,276,043
Other assets	313,595	325,183	(11,588)	3,408,642
Total assets	¥3,847,557	¥ 3,969,934	¥(122,377)	\$ 41,821,272
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 4,869	¥ 5,540	¥ (671)	\$ 52,924
Trade payables	339,113	406,746	(67,633)	3,686,011
Accrued income taxes	50,105	69,961	(19,856)	544,620
Accrued expenses	274,300	277,117	(2,817)	2,981,522
Other current liabilities	115,303	184,636	(69,333)	1,253,293
Total current liabilities	783,690	944,000	(160,310)	8,518,370
Long-term debt, excluding current installments	4,912	8,423	(3,511)	53,391
Accrued pension and severance cost	115,904	110,784	5,120	1,259,826
Other noncurrent liabilities	63,651	55,745	7,906	691,859
Total liabilities	968,157	1,118,952	(150,795)	10,523,446

Equity:

Canon Inc. stockholders' equity:

Common stock	174,762	174,762	-	1,899,587
Additional paid-in capital	404,293	403,790	503	4,394,489
Legal reserve	54,687	53,706	981	594,424
Retained earnings	2,871,437	2,876,576	(5,139)	31,211,272
Accumulated other comprehensive income (loss)	(260,818)	(292,820)	32,002	(2,834,978)
Treasury stock, at cost	(556,252)	(556,222)	(30)	(6,046,218)
Total Canon Inc. stockholders' equity	2,688,109	2,659,792	28,317	29,218,576
Noncontrolling interests	191,291	191,190	101	2,079,250
Total equity	2,879,400	2,850,982	28,418	31,297,826
Total liabilities and equity	¥3,847,557	¥ 3,969,934	¥(122,377)	\$ 41,821,272

Millions of yen

Thousands of
U.S. dollarsAs of
December
31,
2009As of
December 31,
2008As of
December 31,
2009

Notes:

1. Allowance for doubtful receivables	¥ 11,343	¥ 9,318	\$ 123,293
2. Accumulated depreciation	1,815,982	1,635,601	19,738,935
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(202,628)	(235,968)	(2,202,478)
Net unrealized gains and losses on securities	3,285	1,135	35,706
Net gains and losses on derivative instruments	71	1,493	772
Pension liability adjustments	(61,546)	(59,480)	(668,978)

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

<u>Results for the fourth quarter</u>	Millions of yen			Thousands of U.S. dollars
	Three months ended December 31, 2009	Three months ended December 31, 2008	Change(%)	Three months ended December 31, 2009
Net sales	¥954,058	¥ 994,740	- 4.1	\$ 10,370,196
Cost of sales	520,267	573,343		5,655,076
Gross profit	433,791	421,397	+ 2.9	4,715,120
Operating expenses:				
Selling, general and administrative expenses	264,396	273,681		2,873,870
Research and development expenses	77,267	111,891		839,859
	341,663	385,572		3,713,729
Operating profit	92,128	35,825	+ 157.2	1,001,391
Other income (deductions):				
Interest and dividend income	1,441	3,849		15,663
Interest expense	(95)	(164)		(1,032)
Other, net	4,447	(22,597)		48,337
	5,793	(18,912)		62,968
Income before income taxes	97,921	16,913	+ 479.0	1,064,359
Income taxes	35,413	3,816		384,924
Consolidated net income	62,508	13,097		679,435
Less: Net income attributable to noncontrolling interests	944	1,475		10,261
Net income attributable to Canon Inc.	¥ 61,564	¥ 11,622	+ 429.7	\$ 669,174

Note: Consolidated comprehensive income for the three months ended December 31, 2009 and 2008 was JPY 74,334 million (increase) (U.S.\$807,978 thousand (increase)) and JPY 204,647 million (decrease), respectively.

<u>Results for the fiscal year</u>	Millions of yen			Thousands of U.S. dollars
	Year ended	Year ended	Change(%)	Year ended

December 31, 2009	December 31, 2008
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