

CANON INC
Form 6-K
April 25, 2007

Table of Contents

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**, **2007**.

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-_____

TABLE OF CONTENTS

SIGNATURES

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2007

Table of Contents

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 24, 2007**

By /s/ Hiroshi Kawashimo
(Signature)*

Hiroshi Kawashimo
Deputy Senior General Manager
Global Finance Center
Canon Inc.

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

The following material is included.

1. CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2007
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Table of Contents**CONSOLIDATED RESULTS FOR
THE FIRST QUARTER ENDED MARCH 31, 2007**

April 24, 2007

CONSOLIDATED RESULTS

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

	Actual			Projected		
	Three months ended March 31, 2007 (Unaudited)	Three months ended March 31, 2006 (Unaudited)	Change(%)	Three months ended March 31, 2007 (Unaudited)	Year ending December 31, 2007	Change(%)
Net sales	¥ 1,039,793	¥ 923,272	+ 12.6	\$ 8,811,805	¥ 4,540,000	+ 9.2
Operating profit	207,403	170,135	+ 21.9	1,757,653	790,000	+ 11.7
Income before income taxes and minority interests	207,844	169,591	+ 22.6	1,761,390	800,000	+ 11.2
Net income	¥ 131,250	¥ 108,269	+ 21.2	\$ 1,112,288	¥ 505,000	+ 10.9
Net income per share:						
- Basic	¥ 99.28	¥ 81.32	+ 22.1	\$ 0.84	¥ 388.32	+ 13.6
- Diluted	99.25	81.28	+ 22.1	0.84		

	Actual		
	As of March 31, 2007 (Unaudited)	As of December 31, 2006	Change(%)
Total assets	¥ 4,307,815	¥ 4,521,915	4.7
Stockholders equity	¥ 2,901,811	¥ 2,986,606	2.8

- 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 JPY118 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 30, 2007, solely for the convenience of the reader.
3. Canon made a three-for-two stock split on July 1, 2006, all per share information has been adjusted to reflect the stock split.

Canon Inc.
Headquarter office

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-1-

Table of Contents**Operating Results and Financial Conditions****2007 First Quarter in Review**

Looking back at the global economy in the first quarter of 2007, economic expansion was fairly steady despite brief concern over the economic impact of such factors as the global downturn in stock prices. The U.S. economy continued to display growth, supported by healthy employment conditions and healthy consumer spending, despite a decrease in housing investment and a moderate slowdown in corporate capital investment. In Europe, while exports appeared somewhat sluggish due to the appreciation of the euro, the region indicated a trend toward moderate recovery as domestic demand expanded in major European countries, boosted by such factors as increased consumer spending owing to improvements in the employment environment. Within Asia, the Chinese economy maintained a high growth rate while other economies in the region also enjoyed generally favorable conditions. In Japan, the economy maintained a trend toward recovery thanks to such factors as increased capital spending fueled by strong corporate performances and gradual improvements in consumer spending.

As for the markets in which the Canon Group operates, within the camera segment demand for digital single-lens-reflex (SLR) cameras and compact digital cameras continued to realize healthy growth during the quarter. Within the office imaging product market, demand for network digital multifunction devices (MFDs) remained solid amid the shift in all regions toward color models and advanced functionality. In the computer peripherals segment, which includes printers, while demand for laser beam printers grew for both color and monochrome models, and demand for inkjet printers shifted from single-function to all-in-one models, multifunctional models in particular suffered amid severe price competition. In the optical equipment segment, while demand for steppers, used in the production of semiconductors, indicated a moderate recovery, the market for projection aligners, which are used to produce liquid crystal display (LCD) panels, declined due to restrained investment by LCD manufacturers. The average value of the yen for the quarter was ¥119.33 to the U.S. dollar and ¥156.45 to the euro, representing a year-on-year decrease of about 2% against the U.S. dollar, and about 11% against the euro.

Amid these conditions, Canon's consolidated net sales for the first three months of the year totaled ¥1,039.8 billion (U.S.\$8,812 million), a year-on-year increase of 12.6%, marking the first time that first-quarter sales have surpassed ¥1,000.0 billion. A significant rise in sales of digital cameras, color network MFDs and printers contributed to this growth, along with the depreciation of the yen. The gross profit ratio for the quarter recorded a quarterly high of 51.3%, a year-on-year increase of 0.6 points. The improved gross profit ratio was mainly the result of such factors as suppressing price decline through the launch of new products and cost-reduction efforts realized through ongoing production-reform and procurement-reform activities, and the in-house production of key components, which absorbed the negative effects of severe price competition in the consumer product market. Owing to the increase in sales and the improved gross profit ratio, first-quarter gross profit rose by 13.9% to ¥533.7 billion (U.S.\$4,523 million). As for operating expenses, while first-quarter R&D expenses grew by ¥5.8 billion (U.S.\$49 million) from ¥67.1 billion for the year-ago period to ¥72.9 billion (U.S.\$618 million), the rate of increase in selling, general and administrative expenses was less than the growth rate of net sales. Consequently, operating profit in the first quarter totaled ¥207.4 billion (U.S.\$1,758 million), a substantial year-on-year increase of 21.9%. Other income (deductions) improved by ¥1.0 billion (U.S.\$8 million), despite an increase in currency exchange losses on foreign-currency-denominated trade receivables, mainly due to an increase in interest income accompanying the rise in the interest rate. As a result, income before income taxes and minority interests in the first quarter totaled ¥207.8 billion (U.S.\$1,761 million), a year-on-year increase of 22.6%, while first-quarter net income recorded an all-time quarterly high of ¥131.3 billion (U.S.\$1,112 million), a year-on-year increase of 21.2%. Basic net income per share for the quarter was ¥99.28 (U.S.\$0.84), a year-on-year increase of ¥17.96 (U.S.\$0.15). (Note: The basic net income per share calculation for 2006 has been adjusted to reflect the stock split executed in July 2006.)

Table of Contents**Results by Product Segment**

In the business machine segment, demand for network digital MFDs, which are grouped in the office imaging products sub-segment, indicates a shift toward color models in both domestic and overseas markets. Additionally, among color network digital MFDs, the iR C2880 series and the newly introduced iR C3880 series continued to sell well. Among monochrome network digital MFDs, such models as the iR3025 series and the iR5075 series contributed to expanded sales. Overall, sales of office imaging products for the quarter realized a year-on-year increase of 6.7%. In the field of computer peripherals, laser beam printers enjoyed year-on-year unit sales growth of more than 60% with both color and monochrome low-end models in particular selling well. In addition, consumables also recorded healthy sales growth, contributing to an increase of 24.2% in value terms for the segment. For inkjet printers, despite a decline in unit sales for single-function models, sales in value terms increased by 12.2% thanks to such factors as a significant increase in unit sales of multifunction models, such as the PIXMA MP600, and favorable sales growth for consumables. As a result, sales of computer peripherals for the year realized a year-on-year increase of 20.9%. Sales of business information products, however, decreased by 4.1% due to a decrease in sales of personal computers in the Japanese market. Collectively, sales of business machines for the quarter totaled ¥715.4 billion (U.S.\$6,063 million), a year-on-year increase of 13.3%. Operating profit for the quarter totaled ¥176.5 billion (U.S.\$1,496 million), a year-on-year increase of 16.0%, made possible by such factors as an increase in gross profit accompanying the sales growth along with restrained expense spending.

Within the camera segment, demand for digital SLR cameras fueled growth, with the EOS DIGITAL REBEL XT_i model, launched in September 2006, selling particularly well which, in turn, led to expanded sales of interchangeable lenses for SLR cameras. Sales of compact digital cameras also continued to expand steadily with healthy demand for the PowerShot SD800 IS model launched in October 2006, which features the DIGIC III image processor. The company strengthened its lineup of compact digital cameras with 6 new models in 2007, including two stylish ELPH-series models and four PowerShot-series models that cater to a diverse range of shooting styles. In the field of digital video camcorders, the company introduced the consumer-market HDV-model HV20, equipped with Canon's HD CMOS sensor, which, along with MiniDV and DVD models, fills out the company's digital camcorder lineup. As a result, overall camera sales for the first quarter increased by 15.8% from the year-ago period to ¥222.4 billion (U.S.\$1,885 million). The gross profit ratio for the camera segment also rose substantially, boosted by such factors as suppressing price decline through strong sales of high value-added products, including newly introduced products, and cost-reduction efforts realized through production-reform and procurement-reform activities. As a result, operating profit for the camera segment increased by 37.4% year on year to ¥60.5 billion (U.S.\$513 million).

In the optical and other products segment, while sales of aligners decreased substantially due to restrained investment by LCD manufacturers, steppers enjoyed steady demand as the industry enters a recovery phase. As a result, sales for the segment totaled ¥102.0 billion (U.S.\$864 million), a year-on-year increase of 1.9%. Operating profit for the segment grew by 23.9% year on year to ¥18.0 billion (U.S.\$152 million).

Cash Flow

In the first quarter of 2007, Canon generated cash flow from operating activities of ¥152.8 billion (U.S.\$1,295 million), a year-on-year increase of ¥37.9 billion (U.S.\$321 million), reflecting the substantial growth in net income. Cash flow from investing activities totaled ¥124.2 billion (U.S.\$1,052 million), due to such factor as a ¥118.9 billion (U.S.\$1,008 million) capital expenditure that was used mainly to expand production capabilities. As a result, free cash flow totaled ¥28.6 billion (U.S.\$243 million), representing a ¥37.8 billion (U.S.\$320 million) improvement from negative ¥9.2 billion for the year-ago period.

Cash flow from financing activities recorded an outlay of ¥269.6 billion (U.S.\$2,285 million), mainly resulting from the dividend payout of ¥66.6 billion (U.S.\$564 million), an increase of ¥6.7 billion (U.S.\$57 million) compared with the previous year, and the ¥200.0 billion (U.S.\$1,695 million) purchase of treasury stock in accordance with the company's basic policy regarding profit distribution. Consequently, cash and cash equivalents, which totaled ¥915.0 billion (U.S.\$7,754 million), although representing a ¥240.7 billion (U.S.\$2,039 million) decrease from the end of the previous year, remained at a high level.

Table of Contents

Outlook

As for the global economic outlook in the second quarter and thereafter, although uncertainty surrounds such factors as the future direction of crude-oil and raw-material prices and a slowdown in the U.S. economy, the global economy is expected to continue growing steadily.

In the businesses in which Canon is involved, demand for both compact digital cameras and digital SLR cameras is expected to continue enjoying robust growth. As for network digital MFDs and laser beam printers, while additional demand is projected for full-color models, severe price competition and shifting demand toward lower-priced models are expected to continue. Within the semiconductor-production equipment market, while gradually increasing orders from chip manufacturers indicates a trend toward moderate recovery, demand for projection aligners used in the production of LCD panels is expected to remain sluggish due to restrained investment by LCD manufacturers.

The company has revised upward its forecasts for the 2007 fiscal year and now anticipates consolidated net sales of ¥4,540.0 billion (U.S.\$38,475 million), consolidated income before income taxes and minority interests of ¥800.0 billion (U.S.\$6,780 million), and consolidated net income of ¥505.0 billion (U.S.\$4,280 million). The company also projects non-consolidated net sales of ¥2,955.0 billion (U.S.\$25,042 million), non-consolidated ordinary profit of ¥575.0 billion (U.S.\$4,873 million), and non-consolidated net income of ¥377.0 billion (U.S.\$3,195 million). Although uncertainty over such factors as future interest rates in major countries make it difficult to predict the direction of currency exchange rates, significant changes in rates are not anticipated. These forecasts assume currency exchange rates of ¥117 to the U.S. dollar and ¥155 to the euro, representing the same level against the U.S. dollar compared with the previous year, and an approximately 6% depreciation of the yen against the euro.

Table of Contents**Consolidated Outlook
1st Half**

	Millions of yen					Change (%)
	Six months ending		Change (B A)	Six months ended June 30, 2006	Results (C)	
	June 30, 2007					
	Previous Outlook (A)	Revised Outlook (B)	(B A)	(B C) / C		
Net sales	¥ 2,100,000	¥ 2,160,000	¥ 60,000	¥ 1,952,255	+ 10.6%	
Income before income taxes and minority interests	375,000	400,000	25,000	341,045	+ 17.3%	
Net income	238,300	250,000	11,700	214,174	+ 16.7%	

Fiscal year

	Millions of yen					Change (%)
	Year ending		Change (B A)	Year ended December 31, 2006	Results (C)	
	December 31, 2007					
	Previous Outlook (A)	Revised Outlook (B)	(B A)	(B C) / C		
Net sales	¥ 4,450,000	¥ 4,540,000	¥ 90,000	¥ 4,156,759	+ 9.2%	
Income before income taxes and minority interests	775,000	800,000	25,000	719,143	+ 11.2%	
Net income	495,000	505,000	10,000	455,325	+ 10.9%	

**Non-consolidated Outlook
1st Half**

	Millions of yen					Change (%)
	Six months ending		Change (B A)	Six months ended June 30, 2006	Results (C)	
	June 30, 2007					
	Previous Outlook (A)	Revised Outlook (B)	(B A)	(B C) / C		
Net sales	¥ 1,355,000	¥ 1,370,000	¥ 15,000	¥ 1,266,000	+ 8.2%	
Ordinary profit	265,000	287,000	22,000	246,101	+ 16.6%	

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Net income	175,000	189,000	14,000	155,548	+	21.5%
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Fiscal year

	Millions of yen					
	Year ending		Change	Year ended	Change	
	December 31, 2007					
	Previous	Revised Outlook	31, 2006	(%)		
Outlook		Results (C)	(B C) / C			
(A)	(B)	(B A)				
Net sales	¥ 2,930,000	¥ 2,955,000	¥ 25,000	¥ 2,729,657	+	8.3%
Ordinary profit	565,000	575,000	10,000	523,996	+	9.7%
Net income	370,000	377,000	7,000	337,520	+	11.7%

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.

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

1. CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2007 (Unaudited)	Three months ended March 31, 2006 (Unaudited)	Change(%)	Three months ended March 31, 2007 (Unaudited)
Net sales	¥ 1,039,793	¥ 923,272	+ 12.6	\$ 8,811,805
Cost of sales	506,116	454,754		4,289,119
Gross profit	533,677	468,518	+ 13.9	4,522,686
Operating expenses:				
Selling, general and administrative expenses	253,344	231,233		2,146,982
Research and development expenses	72,930	67,150		618,051
	326,274	298,383		2,765,033
Operating profit	207,403	170,135	+ 21.9	1,757,653
Other income (deductions):				
Interest and dividend income	8,255	4,988		69,958
Interest expense	(393)	(381)		(3,331)
Other, net	(7,421)	(5,151)		(62,890)
	441	(544)		3,737
Income before income taxes and minority interests	207,844	169,591	+ 22.6	1,761,390
Income taxes	72,547	57,829		614,805
Income before minority interests	135,297	111,762		1,146,585
Minority interests	4,047	3,493		34,297
Net income	¥ 131,250	¥ 108,269	+ 21.2	\$ 1,112,288

Note: Canon's comprehensive income consists of net income, change in foreign currency translation adjustments, change in net unrealized gains (losses) on securities, change in net gains (losses) on derivative financial instruments and change in pension liability adjustments. Comprehensive income for the three months ended March 31, 2007 and 2006 were JPY 184,096 million (U.S.\$1,560,136 thousand) and JPY 114,057 million, respectively.

2. DETAILS OF SALES**Sales by product**

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2007 (Unaudited)	Three months ended March 31, 2006 (Unaudited)	Change(%)	Three months ended March 31, 2007 (Unaudited)
Business machines:				
<i>Office imaging products</i>	¥ 305,562	¥ 286,488	+ 6.7	\$ 2,589,508
<i>Computer peripherals</i>	383,097	316,796	+ 20.9	3,246,585
<i>Business information products</i>	26,732	27,869	4.1	226,543
	715,391	631,153	+ 13.3	6,062,636
Cameras	222,443	192,061	+ 15.8	1,885,110
Optical and other products	101,959	100,058	+ 1.9	864,059
Total	¥1,039,793	¥ 923,272	+ 12.6	\$ 8,811,805

Sales by region

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2007 (Unaudited)	Three months ended March 31, 2006 (Unaudited)	Change(%)	Three months ended March 31, 2007 (Unaudited)
Japan	¥ 232,459	¥ 213,694	+ 8.8	\$ 1,969,992
Overseas:				
<i>Americas</i>	306,624	285,067	+ 7.6	2,598,508
<i>Europe</i>	337,791	281,621	+ 19.9	2,862,636
<i>Other areas</i>	162,919	142,890	+ 14.0	1,380,669
	807,334	709,578	+ 13.8	6,841,813
Total	¥1,039,793	¥ 923,272	+ 12.6	\$ 8,811,805

Notes: 1. The primary products included in each of the product segments are as follows:

Business machines:

Office imaging products: Office network digital multifunction devices (MFDs) / Color network digital MFDs /

Office copying machines / Personal-use copying machines / Full-color copying machines / etc.

Computer peripherals: Laser beam printers / Inkjet multifunction peripherals / Single function inkjet printers /

Image scanners / etc.

Business information products: Computer information systems / Document scanners / Personal information products / etc.

Cameras: Digital SLR cameras / Compact digital cameras / Interchangeable lenses / Digital video camcorders / etc.

Optical and other products: Semiconductor production equipment / Mirror projection mask aligners for LCD panels /

Broadcasting equipment / Medical equipment / Large format printers / Components / etc.

2. The principal countries and regions included in each regional category are as follows:
Americas: United States of America, Canada, Latin America Europe: England, Germany, France, Netherlands /
Other Areas: Asian regions, China, Oceania

-6-

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. SEGMENT INFORMATION BY PRODUCT

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2007 (Unaudited)	Three months ended March 31, 2006 (Unaudited)	Change(%)	Three months ended March 31, 2007 (Unaudited)
Business Machines				
Net sales:				
Unaffiliated customers	¥ 715,391	¥ 631,153	+ 13.3	\$ 6,062,636
Intersegment				
Total	715,391	631,153	+ 13.3	6,062,636
Operating cost and expenses	538,880	478,985	+ 12.5	4,566,780
Operating profit	176,511	152,168	+ 16.0	1,495,856
Cameras				
Net sales:				
Unaffiliated customers	¥ 222,443	¥ 192,061	+ 15.8	\$ 1,885,110
Intersegment				
Total	222,443	192,061	+ 15.8	1,885,110
Operating cost and expenses	161,913	148,022	+ 9.4	1,372,144
Operating profit	60,530	44,039	+ 37.4	512,966
Optical and other products				
Net sales:				
Unaffiliated customers	¥ 101,959	¥ 100,058	+ 1.9	\$ 864,059
Intersegment	51,659			