# Canon earnings outlook falters, president steps down

Isabel Reynolds, Reuters

Canon Inc's 76-year-old chairman and CEO will take on the additional role of president after the $60 billion Japanese camera and printer maker forecast weak earnings growth and said its current president was stepping down.

Like other export-focused Japanese manufacturers, Canon, which makes 80 percent of its revenue overseas, has been hit by a strong yen and a weak economy, on top of last year's floods in Thailand that closed a printer plant and ruptured supply lines.

Canon said Tuneji Uchida, 70, will resign as of March 29, and be replaced by Fujio Mitarai, who served as president from 1995-2006 and has since held the post of chairman.

"Mitarai was at the centre of management, so I don't think there will be any sudden changes," said Naoki Fujiwara, a fund manager at Shinkin Asset Management, which manages about 500 billion yen ($6.5 billion) in assets.

"They do need to hand over to the next generation at some stage, so we're interested to see when that will happen."

Canon forecast 2012 operating profit of 390 billion yen ($5.1 billion), up from last year's 378.1 billion yen, but some way below the average forecast of 470 billion yen from 20 analysts surveyed by Thomson Reuters I/B/E/S.

Profit in 2010 was 387.5 billion yen.

Chief Financial Officer Toshizo Tanaka told reporters on Monday the company would work towards handing over to the next generation over the next three years. For now, given the uncertain economy, choosing a company veteran to replace Uchida, who had asked to step down, was the best option, he said.

Mitarai stepped down as president when he was appointed head of Japan's biggest business lobby, Nippon Keidanren, but he continued to play an active role and was named among the world's 30 best CEOs by Barron's magazine every year between 2008 and 2011.

A nephew of Takeshi Mitarai, among the first executives to head the company, Mitarai joined in 1961 after graduating from law school.

CAUTIOUS OUTLOOK

Canon posted a 14 percent increase in fourth-quarter operating profit, to 94.6 billion yen, in line with consensus estimates, after a fresh round of cost-cutting.

"They're forecasting a rise in 2012 earnings, but given the impact of exchange rates, they're taking a harsh outlook on profits," said Mizuho Research Institute senior economist Koji Takeuchi. "It's not negative overall, but Canon's indication of a cautious view will not be lost on the market."

Canon, which made its first camera in 1933 and now has its IXUS and PowerShot cameras competing against Nikon and Sony Corp, aims to sell 22 million compact cameras and 9.2 million interchangeable lens cameras this year, up from 18.7 million and 7.2 million, respectively, last year.

Nikon said in November it expected to sell 16 million compact cameras in the year to end-March, and 4.7 million digital SLR cameras.

Canon also competes with Xerox in printers.

Xerox lowered its 2012 outlook this month, predicting its business would feel the impact from the European debt crisis.

Canon shares have fallen about 18 percent since the start of last year, slightly underperforming the benchmark Nikkei average's 14 percent decline. The stock closed down 1 percent at 3,435 yen on Monday ahead of the earnings.

($1 = 76.67 yen)

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