

CANON INC
Form 6-K
May 16, 2011

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 **May** **2011** .. ,

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 **May 13, 2011** .

By /s/ Masashiro Kobayashi
(Signature)*

Masashiro Kobayashi
Deputy Senior General Manager
Global Finance Accounting Center
Canon Inc.

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

The following materials are included.

1. Quarterly Report filed with the Japanese government pursuant to the financial Instruments and Exchange Law of Japan For the first quarter ended March 31, 2011

[English summary with full translation of consolidated financial information]

Quarterly Report filed with the Japanese government
pursuant to
the Financial Instruments and Exchange Law of Japan
For the first quarter ended
March 31, 2011

CANON INC.
Tokyo, Japan

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Disclaimer Regarding Forward-Looking Statements

This quarterly report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) concerning Canon Inc. (the Company) and its subsidiaries (collectively Canon). To the extent that statements in this quarterly report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Canon in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Canon's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Canon undertakes no obligation to publicly update any forward-looking statements after the date of this quarterly report. Investors are advised to consult any further disclosures by Canon in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, foreign exchange rate fluctuations; the uncertainty of Canon's ability to implement its plans to localize production and other measures to reduce the impact of foreign exchange rate fluctuations; uncertainty of economic conditions in Canon's major markets; uncertainty about continued demand for Canon's high-value-added products; uncertainty about the recovery of computer and related markets; uncertainty about the recovery in demand for Canon's semiconductor production equipment; Canon's ability to continue to develop and market products that incorporate new technology on a timely basis, are competitively priced and achieve market acceptance; the possibility of losses resulting from foreign currency transactions designed to reduce financial risks from changes in foreign exchange rates; and inventory risk due to shifts in market demand.

I. Corporate Information

(1) Consolidated Financial Summary

	Millions of yen (except per share amounts)		
	Three months ended March 31, 2011	Three months ended March 31, 2010	Year ended December 31, 2010
Net sales	839,191	755,526	3,706,901
Income before income taxes	82,032	88,852	392,863
Net income attributable to Canon Inc.	55,462	56,811	246,603
Canon Inc. stockholders' equity	2,659,422	2,675,909	2,645,782
Total equity	2,823,208	2,887,304	2,809,637
Total assets	3,964,735	4,032,810	3,983,820
Canon Inc. stockholders' equity per share (yen)	2,164.83	2,167.65	2,153.73
Net income attributable to Canon Inc. stockholders per share:			
Basic (yen)	45.15	46.02	199.71
Diluted (yen)	45.14	46.02	199.70
Canon Inc. stockholders' equity to total assets (%)	67.1	66.4	66.4
Cash flows from operating activities	71,930	161,654	744,413
Cash flows from investing activities	(46,516)	(111,105)	(342,133)
Cash flows from financing activities	(73,857)	(124,267)	(279,897)
Cash and cash equivalents at end of period	816,615	715,541	840,579
Number of employees	196,074	186,897	197,386

Notes:

1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. Consumption tax is excluded from the stated amount of net sales.

(2) Description of Business

Canon prepares quarterly consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The conformity to U.S. GAAP is also applied to sections II. The Business and III. Property, Plant and Equipment .

Canon (consisting of the Company, 291 consolidated subsidiaries and 14 affiliates accounted for using the equity method, collectively, the Group) is engaged in the development, manufacture, sale and service primarily in the fields of office, consumer, industry and others. No material change in Canon 's business has occurred during the three months ended March 31, 2011.

No additions or removals of significant group entities have occurred during the three months ended March 31, 2011.

(3) Group Entities

No additions or removals of significant group entities have occurred during the three months ended March 31, 2011.

(4) Number of Employees

Canon 's number of employees is summarized as follows:

	As of March 31, 2011
Consolidated	196,074
Parent-alone	25,812

Note:

The total number of employees includes seasonal workers and others who do not work full time.

II. The Business

(1) Production and Sales

Production

Canon's production by segment group are summarized as follows:

	Millions of yen	
	Three months ended March 31, 2011	
	Change from	
	Production	March 31, 2010 (%)
Office	371,096	+6.7
Consumer	332,557	+0.5
Industry and Others	54,505	-44.7
Total	758,158	-2.5

Notes:

1. Amount of production is calculated by sales price.
2. Consumption tax is excluded from the stated amount of production.

Sales

Canon's sales by segment group are summarized as follows:

	Millions of yen	
	Three months ended March 31, 2011	
	Change from	
	Sales	March 31, 2010 (%)
Office	480,862	+17.5
Consumer	289,621	-0.2
Industry and Others	91,936	+11.7
Eliminations	(23,228)	-
Total	839,191	+11.1

Notes:

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1. Consumption tax is excluded from the stated amount of net sales.
2. Canon's sales to its significant customer are summarized as follows:

	Millions of yen			
	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Sales	Proportion (%)	Sales	Proportion (%)
Hewlett-Packard Company	173,653	20.7	161,279	21.3

(2) Risk Factors

No material changes are recognized pursuant to the risk factors of Canon's business indicated in the Annual Securities Report (Yukashoken houkokusho) of the previous fiscal year.

(3) Significant Business Contracts Entered into in the First Quarter of Fiscal 2011

No material contracts were entered into during the three months ended March 31, 2011.

(4) Operating Results

Looking back at the global economy in the first quarter of 2011, economic conditions continued to improve modestly throughout the world. The United States continued to recover steadily thanks to solid growth in production and improved employment rates, while in Europe, although trends varied by country, the region overall continued to realize a modest recovery, driven mainly by exports. Emerging markets, such as China and India, continued to grow through stable domestic demand, and in Japan, while the economy has been recovering gradually, the earthquake and resulting tsunami that struck northeastern Japan on March 11, 2011 lead to a decrease in production activity and consumer spending.

As for the markets in which Canon operates amid these conditions, within the office equipment market, demand recovered for network digital multifunction devices (MFDs) and laser printers continuing the same trend as the previous year. As for the consumer products market, demand for compact digital cameras maintained healthy growth mainly in emerging markets, while sales of digital single-lens reflex (SLR) cameras continued to realize robust growth across global markets. Demand for inkjet printers also maintained solid growth. In the Industry and others market, although demand for semiconductor lithography equipment grew modestly, the market for liquid crystal display (LCD) lithography equipment was marked by a downturn owing to decreases in investment by LCD panel manufacturers following the large-scale outlays made in the previous year. In addition, production was partially affected due to a shortage of components caused by the earthquake and its aftermath.

The average value of the yen during the quarter was ¥82.28 against the U.S. dollar, a year-on-year appreciation of approximately ¥8, and ¥112.86 against the euro, a year-on-year appreciation of approximately ¥12.

Despite the impact of the sharp appreciation of the yen along with the earthquake that struck northeastern Japan, net sales for the quarter totalled ¥839.2 billion, an increase of 11.1% from the year-ago period, owing to such factors as increased sales of laser printers among office products, and the effects of consolidation arising from the acquisition of Océ N.V. in March 2010. Additional factors include the continued robust sales of digital SLR cameras and the significant turnaround achieved within the Industry and others segment. Despite the strong yen and such adverse affects attributable to the earthquake as losses from damaged inventory and decreased production turnover, the decline in the gross profit ratio was limited to 0.4 points from the year-ago period resulting in a ratio of 48.4% for the quarter, mainly reflecting the launch of new products and ongoing cost-cutting efforts. As a result, gross profit rose by 10.2% to ¥406.2 billion for the period. Despite ongoing Group-wide efforts to thoroughly reduce spending, operating expenses increased by ¥42.0 billion due to the impact of the acquisition of Océ N.V. Consequently, operating profit decreased by 5.0% to ¥82.5 billion for the quarter. Income before income taxes for the period totalled ¥82.0 billion, a decrease of 7.7% year on year, while net income attributable to Canon Inc. decreased by 2.4% to ¥55.5 billion for the period.

Basic net income attributable to Canon Inc. stockholders per share was ¥45.15, a decrease of ¥0.87 compared with the previous year.

(4) Operating Results (continued)

Canon's first-quarter results by business unit are summarized as follows:

Looking at Canon's quarterly performance by business sector, within the Office Business Unit, image RUNNER ADVANCE-series products performed admirably, contributing to boosted sales volume of color network digital MFDs. Laser printers recorded an increase in sales volume, maintaining the momentum of the strong recovery realized in the previous year. Consequently, despite the effects of the strong appreciation of the yen and the impact of newly consolidated companies, first-quarter net sales for the segment totalled ¥480.9 billion, growing 17.5% year on year. Operating profit decreased by 12.5% to ¥63.1 billion for the period, mainly due to the appreciation of the yen and the earthquake in northeastern Japan.

Within the Consumer Business Unit, sales volumes continued to increase significantly in Asia and other regions for such digital SLR cameras as the competitively priced EOS Digital Rebel T2i (EOS 550D), along with the EOS 5D Mark II, and EOS 60D advanced-amateur models. As for compact digital cameras, the Company launched ten new ELPH (IXUS)-series and PowerShot-series models, contributing to a boost in sales volumes particularly in emerging markets. With respect to inkjet printers, sales volume increased from the year-ago level fueled by the healthy sales of PIXMA-series models, particularly in emerging markets. Sales for the Consumer Business Unit overall, however, declined by 0.2% year on year to ¥289.6 billion due to the adverse effects of the earthquake on sales and production as well as price competition and the impact of strong yen. Operating profit decreased by 15.7% to ¥39.9 billion also reflecting the negative impact from the earthquake and the appreciation of the yen.

In the Industry and Others Business Unit, while unit sales of LCD lithography equipment remained at the same level as the year-ago period, the MPAsp series, which supports sixth-generation substrates and above, recorded healthy sales growth. Semiconductor lithography equipment realized a boost in sales volume, resulting in an increase in sales for the segment of 11.7% to ¥91.9 billion for the quarter. Operating profit realized a turnaround, totalling ¥6.6 billion for the quarter, an increase of ¥9.6 billion from the year-ago period.

First-quarter results by major geographic area are summarized as follows:

Japan

Due to the impact of the earthquake in northeastern Japan, net sales in Japan for the first quarter decreased by 0.5% from the year-ago period to ¥620.4 billion and operating profit dropped 9.1% year on year to ¥86.5 billion for the quarter.

Net sales outside Japan realized robust growth despite the impact of the sharp appreciation of the yen, owing to continuous increase of sales such as digital SLR cameras and laser printers. Consolidation effect of Océ also contributed to the sales growth.

Americas

First-quarter sales increased by 8.7% from the year-ago period to ¥218.8 billion, due to the consolidation effect in spite of the negative impact of appreciation of the yen. Operating profit in the Americas, however, decreased 73.5% year on year to ¥1.0 billion.

Europe

Sales for the quarter increased by 21.1% from the same period of the previous year to ¥278.6 billion, due to the continued robust sales of digital SLR cameras and laser printers and the effects of acquisition of Océ. Operating profit in Europe increased by 65.6% year on year to ¥11.3 billion for the first quarter.

(4) Operating Results (continued)

Asia and Oceania

Sales increased by 23.0% to ¥354.2 billion for the first quarter mainly reflecting solid sales of digital SLR cameras and a boost in sales of LCD lithography and Semiconductor lithography equipment. Operating profit in Asia and Oceania climbed 32.0% to ¥14.3 billion for the quarter.

Cash Flows

In the first quarter of 2011, cash flow from operating activities totalled ¥71.9 billion, a decrease of ¥89.7 billion compared with the previous year as a result of such factors as increased tax payments and a decrease in accounts payable. Due to ongoing capital investment focused on higher priority items and the corporate acquisition activities from the year-ago period, cash flow from investing activities decreased ¥64.6 billion year on year, totaling ¥46.5 billion. Accordingly, free cash flow totalled ¥25.4 billion, a decrease of ¥25.1 billion from the previous year.

Cash flows from financing activities recorded an outlay of ¥73.9 billion, mainly arising from the dividend payout of ¥79.9 billion. Owing to these factors as well as the positive impact of ¥24.5 billion by foreign currency translation adjustments, cash and cash equivalents decreased by ¥24.0 billion year on year to ¥816.6 billion.

Management Issues to be Addressed

No material changes or issues with respect to business operations and finance have occurred during the three months ended March 31, 2011.

Research and Development Expenditures

Canon's research and development expenditures for the three months ended March 31, 2011 totalled ¥70.1 billion.

Others

On March 11, 2011, Japan experienced a massive earthquake and tsunami off the pacific coast of northeastern Japan. Canon has been directly affected by the earthquake including losses from damaged buildings and inventory, and has incurred such indirect effects as electricity restrictions, supply shortages of components and a decline in consumer spending in the Japanese market. These factors and others would negatively affect Canon's operating results and financial position. However the resumption of production activities at all Canon's operation sites were completed, various measures for rebuilding of production systems and increase of production are required to be carrying out.

III. Property, Plant and Equipment

(1) **Major Property, Plant and Equipment**

There were no significant changes to the status of existing major property, plant and equipment during the first quarter of 2011.

(2) **Prospect of Capital Investment in the First Quarter of Fiscal 2011**

There were no significant changes in the plans relevant to the retirement of property, plant and equipment during the first quarter of 2011. Moreover, there were no significant additional plans for new construction or retirement of property, plant and equipment during the first quarter of 2011.

IV. Company Information

(1) **Shares**

Total number of authorized shares is 3,000,000,000 shares. The common stock of Canon is listed on the Tokyo, Osaka, Nagoya, Fukuoka, Sapporo and New York Stock Exchanges. Total issued shares are as follows:

	As of March 31, 2011
Total number of issued shares	1,333,763,464
<u>Stock Acquisition Rights</u>	

The descriptions of the stock option plans as of March 31, 2011 are below.

The Stock Option Plan Approved on March 28, 2008

1. Number of share options

The number of share options that the Board of Directors are authorized to issue is 5,580.

2. Number of shares acquired upon exercise of a share option

The number of shares acquired upon exercise of one share option (the Allotted Number of Shares) is 100 common shares, and the total number of shares to be delivered due to the exercise of share options is 558,000 common shares.

3. Cash payment for share options (yen)

The cash payment required for each share option is ¥5,502.

(i) If the Company effects a share split or a share consolidation after the date of the allotment of the share options, the Exercise Price will be adjusted by the following calculation formula, with any fractional amount of less than one yen to be rounded up to one yen:
Exercise Price after Adjustment

= Exercise Price before adjustment ×

Ratio of Share Split or Share Consolidation

(ii) If, after the date of allotment of share options, the Company issues common shares at a price lower than the then market price thereof or disposes common shares owned by it, the Exercise Price will be adjusted by the following calculation formula, with any fractional amount of less than one yen to be rounded up to one yen; however, the Exercise Price will not be adjusted in the case of the exercise of share options:

(1) **Shares (continued)**

Exercise Price after Adjustment = Exercise Price before Adjustment ×

Number of Newly Issued Shares × Payment amount per Share

Number of Issued and Outstanding Shares +

Market Price

Number of Issued and Outstanding Shares + Number of Newly Issued Shares

The Number of Issued and Outstanding Shares is the number of shares already issued by the Company after subtraction of the number of shares owned by the Company. In the case of the Company's disposal of shares owned by it, the Number of Newly Issued Shares will be replaced with the Number of Own Shares to Be Disposed.

(iii) In the case of a merger, a company split or capital reduction after the date of allotment of share options, or in any other analogous case requiring the adjustment of the Exercise Price, the Exercise Price shall be appropriately adjusted within a reasonable range.

4. Period during which share options are exercisable

From May 1, 2010 to April 30, 2014.

5. Exercise price and amount of increased stated capital (yen)

The exercise price and amount of increased stated capital per share is ¥5,502 and ¥2,751, respectively.

6. Other Conditions for Exercise of Share Options

- (i) One share option may not be exercised partially.
- (ii) Each holder of share options must continue to be a director, executive officer or employee of the Company until the end of the Company's general meeting of shareholders regarding the final business term within 2 years from the end of the Ordinary General Meeting of Shareholders for the 107th Business Term of the Company.
- (iii) Holders of share options will be entitled to exercise their share options for 2 years, and during the exercisable period, even after they lose their positions as directors, executive officers or employees. However, if a holder of share options loses such position due to resignation at his/her initiative, or due to dismissal or discharge by the Company, his/her share options will immediately be forfeited.
- (iv) No succession by inheritance is authorized for the share options.
- (v) Any other conditions for the exercise of share options may be established by the Board of Directors.

7. Restriction on Acquisition of Share Options by Transfer

An acquisition of share options by way of transfer requires the approval of the Board of Directors.

The Stock Option Plan Approved on March 27, 2009

1. Number of share options

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The number of share options that the Board of Directors are authorized to issue is 7,820.

2. Number of shares acquired upon exercise of a share option

The number of shares acquired upon exercise of one share option (the Allotted Number of Shares) is 100 common shares, and the total number of shares to be delivered due to the exercise of share options is 782,000 common shares.

3. Cash payment for share options (yen)

The cash payment required for each share option is ¥3,287.

- (i) If the Company effects a share split or a share consolidation after the date of the allotment of the share options, the Exercise Price will be adjusted by the following calculation formula, with any fractional amount of less than one yen to be rounded up to one yen:

(1) **Shares (continued)**

Exercise Price after Adjustment

1

= Exercise Price before adjustment ×

Ratio of Share Split or Share Consolidation

- (ii) If, after the date of allotment of share options, the Company issues common shares at a price lower than the then market price thereof or disposes common shares owned by it, the Exercise Price will be adjusted by the following calculation formula, with any fractional amount of less than one yen to be rounded up to one yen; however, the Exercise Price will not be adjusted in the case of the exercise of share options:

Exercise Price after Adjustment = Exercise Price before Adjustment ×

Number of Newly Issued Shares × Payment amount per Share

Number of Issued and Outstanding Shares +

Market Price

Number of Issued and Outstanding Shares + Number of Newly Issued Shares

The Number of Issued and Outstanding Shares is the number of shares already issued by the Company after subtraction of the number of shares owned by the Company. In the case of the Company's disposal of shares owned by it, the Number of Newly Issued Shares will be replaced with the Number of Own Shares to Be Disposed.

- (iii) In the case of a merger, a company split or capital reduction after the date of allotment of share options, or in any other analogous case requiring the adjustment of the Exercise Price, the Exercise Price shall be appropriately adjusted within a reasonable range.

4. Period during which share options are exercisable

From May 1, 2011 to April 30, 2015.

5. Exercise price and amount of increased stated capital (yen)

The exercise price and amount of increased stated capital per share is ¥3,287 and ¥1,644, respectively.

6. Other Conditions for Exercise of Share Options

- (i) One share option may not be exercised partially.
- (ii) Each holder of share options must continue to be a director, executive officer or employee of the Company until the end of the Company's general meeting of shareholders regarding the final business term within 2 years from the end of the Ordinary General Meeting of Shareholders for the 108th Business Term of the Company.

(iii) Holders of share options will be entitled to exercise their share options for 2 years, and during the exercisable period, even after they lose their positions as directors, executive officers or employees. However, if a holder of share options loses such position due to resignation at his/her initiative, or due to dismissal or discharge by the Company, his/her share options will immediately be forfeited.

(iv) No succession by inheritance is authorized for the share options.

(v) Any other conditions for the exercise of share options may be established by the Board of Directors.

7. Restriction on Acquisition of Share Options by Transfer

An acquisition of share options by way of transfer requires the approval of the Board of Directors.

(1) **Shares (continued)**

The Stock Option Plan Approved on March 30, 2010

1. Number of share options

The number of share options that the Board of Directors are authorized to issue is 8,800.

2. Number of shares acquired upon exercise of a share option

The number of shares acquired upon exercise of one share option (the Allotted Number of Shares) is 100 common shares, and the total number of shares to be delivered due to the exercise of share options is 880,000 common shares.

3. Cash payment for share options (yen)

The cash payment required for each share option is ¥4,573.

(i) If the Company effects a share split or a share consolidation after the date of the allotment of the share options, the Exercise Price will be adjusted by the following calculation formula, with any fractional amount of less than one yen to be rounded up to one yen:

Exercise Price after Adjustment

1

= Exercise Price before adjustment ×

Ratio of Share Split or Share Consolidation

(ii) If, after the date of allotment of share options, the Company issues common shares at a price lower than the then market price thereof or disposes common shares owned by it, the Exercise Price will be adjusted by the following calculation formula, with any fractional amount of less than one yen to be rounded up to one yen; however, the Exercise Price will not be adjusted in the case of the exercise of share options:

Exercise Price after Adjustment = Exercise Price before Adjustment ×

Number of Newly Issued Shares × Payment amount per Share

Number of Issued and Outstanding Shares +

Market Price

Number of Issued and Outstanding Shares + Number of Newly Issued Shares

The Number of Issued and Outstanding Shares is the number of shares already issued by the Company after subtraction of the number of shares owned by the Company. In the case of the Company's disposal of shares owned by it, the Number of Newly Issued Shares will be replaced with the Number of Own Shares to Be Disposed.

(iii)

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In the case of a merger, a company split or capital reduction after the date of allotment of share options, or in any other analogous case requiring the adjustment of the Exercise Price, the Exercise Price shall be appropriately adjusted within a reasonable range.

4. Period during which share options are exercisable

From May 1, 2012 to April 30, 2016.

5. Exercise price and amount of increased stated capital (yen)

The exercise price and amount of increased stated capital per share is ¥4,573 and ¥2,287, respectively.

6. Other Conditions for Exercise of Share Options

- (i) One share option may not be exercised partially.

- (ii) Each holder of share options must continue to be a director, executive officer or employee of the Company until the end of the Company's general meeting of shareholders regarding the final business term within 2 years from the end of the Ordinary General Meeting of Shareholders for the 109th Business Term of the Company.

(1) Shares (continued)

(iii) Holders of share options will be entitled to exercise their share options for 2 years, and during the exercisable period, even after they lose their positions as directors, executive officers or employees. However, if a holder of share options loses such position due to resignation at his/her initiative, or due to dismissal or discharge by the Company, his/her share options will immediately be forfeited.

(iv) No succession by inheritance is authorized for the share options.

(v) Any other conditions for the exercise of share options may be established by the Board of Directors.

7. Restriction on Acquisition of Share Options by Transfer

An acquisition of share options by way of transfer requires the approval of the Board of Directors.

Exercise status of bonds with share subscription rights containing an adjustable exercise price clause

Not applicable.

Rights Plan

Not applicable.

Change in Issued Shares, Capital Stock and Additional Paid in Capital

	Change during this term	As of March 31, 2011
Issued Shares (Number of shares)	-	1,333,763,464
Capital Stock (millions of yen)	-	174,762
Additional Paid-in Capital (millions of yen)	-	306,288

Major Shareholders

As of March 31, 2011, the Company has identified that State Street Bank and Trust Company 505225, who was a major shareholder of the Company as of December 31, 2010, has reduced their shareholdings and is no longer a major shareholder, whereas Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension has increased their shareholdings and has become a major shareholder.

	As of March 31, 2011	
	Number of shares owned (Number of shares)	Number of shares owned / Number of shares issued
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension (Local Custodian: Mizuho Corporate Bank, Ltd.)	18,328,045	1.37%

(1) **Shares (continued)**

Voting Rights

Classification	As of March 31, 2011	
	Number of shares (shares)	Number of voting rights (units)
Shares without voting rights	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-
Shares with restricted voting rights (Others)	-	-
Shares with full voting rights (Treasury stock, etc.)	(treasury stock) 105,298,100 (cross shareholding) 3,700	-
Shares with full voting rights (Others)	1,226,366,200	12,263,662
Fractional unit shares	2,095,464	-
Total number of issued shares	1,333,763,464	-
Total voting rights held by all shareholders	-	12,263,662

Note:

In Fractional unit shares under Number of shares, 8 shares of treasury stock and 50 shares of cross shareholding are included.

Treasury Stock

	Number of shares owned /	
	Number of shares owned (Number of shares)	Number of shares issued
Canon Inc.	105,298,100	7.89%
Horie Mfg. Co., Ltd.	3,700	0.00%
Total	105,301,800	7.90%

(2) **Stock Price Transition**

The following table sets forth the monthly reported high and low market prices of the Company's common stock on the First Section of Tokyo Stock Exchange for the three months ended March 31, 2011:

	(Yen)		
	January	February	March
High	4,280	4,130	4,000
Low	3,970	3,860	3,310

(3) Directors and Executive Officers

There were no changes in members of directors between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2010 and the filing date of this Quarterly Securities Report (Shihanki Houkokusho).

Changes in functions of directors are below:

Toshizo Tanaka (Executive Vice President & CFO: Group Executive of Finance & Accounting HQ)

There were no changes in members of executive officers between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2010 and the filing date of this Quarterly Securities Report (Shihanki Houkokusho).

Changes in functions of executive officers are below:

Masahiro Haga (Executive Officer: Adviser of Canon Finetech Inc.)

Akiyoshi Kimura (Executive Officer: Deputy Chief Executive of Office Imaging Products HQ)

Naoji Otsuka (Executive Officer: Deputy Chief Executive of Inkjet Products HQ)

Kenji Kobayashi (Executive Officer: President of Canon France S.A.S)

V. Financial Statements (Unaudited)

(1) **Consolidated Financial Statements**

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CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	Millions of yen	
	March 31, 2011	December 31, 2010
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Note 13)	816,615	840,579
Short-term investments (Note 2)	105,995	96,815
Trade receivables, net (Note 3)	496,608	557,504
Inventories (Note 4)	435,921	384,777
Prepaid expenses and other current assets (Notes 9, 13)	254,322	250,754
Total current assets	2,109,461	2,130,429
Noncurrent receivables (Note 10)	16,840	16,771
Investments (Note 2)	65,531	81,529
Property, plant and equipment, net (Note 5)	1,202,745	1,201,968
Intangible assets, net	155,192	153,021
Other assets (Notes 9, 13)	414,966	400,102
Total assets	3,964,735	3,983,820

CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

	Millions of yen	
<u>Liabilities and equity</u>	March 31, 2011	December 31, 2010
Current liabilities:		
Short-term loans and current portion of long-term debt	15,109	7,200
Trade payables (Note 6)	376,468	383,251
Accrued income taxes	40,397	72,482
Accrued expenses (Note 10)	300,925	299,710
Other current liabilities (Note 9)	122,832	134,298
 Total current liabilities	 855,731	 896,941
Long-term debt, excluding current installments	3,856	4,131
Accrued pension and severance cost	202,207	197,609
Other noncurrent liabilities	79,733	75,502
 Total liabilities	 1,141,527	 1,174,183
 Commitments and contingent liabilities (Note 10)		
Equity:		
Canon Inc. stockholders' equity (Note 7):		
Common stock	174,762	174,762
(Number of authorized shares)	(3,000,000,000)	(3,000,000,000)
(Number of issued shares)	(1,333,763,464)	(1,333,763,464)
Additional paid-in capital	400,598	400,425
Legal reserve	59,272	57,930
Retained earnings	2,939,507	2,965,237
Accumulated other comprehensive income (loss)	(352,596)	(390,459)
Treasury stock, at cost	(562,121)	(562,113)
(Number of shares)	(105,298,108)	(105,295,975)
 Total Canon Inc. stockholders' equity	 2,659,422	 2,645,782
Noncontrolling interests (Note 7)	163,786	163,855
 Total equity (Note 7)	 2,823,208	 2,809,637
 Total liabilities and equity	 3,964,735	 3,983,820

CANON INC. AND SUBSIDIARIES

Consolidated Statements of Income

	Millions of yen	
	Three months ended March 31, 2011	Three months ended March 31, 2010
Net sales	839,191	755,526
Cost of sales	432,954	386,958
Gross profit	406,237	368,568
Operating expenses:		
Selling, general and administrative expenses (Note 13)	253,640	210,792
Research and development expenses	70,095	70,933
	323,735	281,725
Operating profit	82,502	86,843
Other income (deductions):		
Interest and dividend income	1,636	1,021
Interest expense	(438)	(86)
Other, net (Notes 9, 12 and 13)	(1,668)	1,074
	(470)	2,009
Income before income taxes	82,032	88,852
Income taxes	26,052	30,117
Consolidated net income	55,980	58,735
Less: Net income attributable to noncontrolling interests	518	1,924
Net income attributable to Canon Inc.	55,462	56,811
	Yen	Yen
Net income attributable to Canon Inc. stockholders per share (Note 8):		
Basic	45.15	46.02
Diluted	45.14	46.02

CANON INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Millions of yen	
	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash flows from operating activities:		
Consolidated net income	55,980	58,735
Adjustments to reconcile net income to net		
cash provided by operating activities:		
Depreciation and amortization	61,728	60,253
Loss on disposal of fixed assets	1,421	1,741
Deferred income taxes	(1,335)	(664)
Decrease in trade receivables	&	