

CANON INC  
Form 6-K  
April 27, 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 .... **April**....., **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-

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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 26, 2011**....

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

Masashiro Kobayashi  
Deputy Senior 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. 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

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**CONSOLIDATED RESULTS FOR  
THE FIRST QUARTER ENDED MARCH 31, 2011**

April 26, 2011

**CONSOLIDATED RESULTS**

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

	Actual			Projected		
	Three months ended March 31, 2011	Three months ended March 31, 2010	Change(%)	Three months ended March 31, 2011	Year ending December 31, 2011	Change(%)
<b>Net sales</b>	¥ 839,191	¥ 755,526	+ 11.1	\$ 10,110,735	¥ 3,730,000	+ 0.6
<b>Operating profit</b>	82,502	86,843	- 5.0	994,000	335,000	- 13.6
<b>Income before income taxes</b>	82,032	88,852	- 7.7	988,337	330,000	- 16.0
<b>Net income attributable to Canon Inc.</b>	¥ 55,462	¥ 56,811	- 2.4	\$ 668,217	¥ 220,000	- 10.8

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

<b>- Basic</b>	¥ 45.15	¥ 46.02	- 1.9	\$ 0.54	¥ 179.09	- 10.3
<b>- Diluted</b>	45.14	46.02	- 1.9	0.54	-	-

	Actual		
	As of March 31, 2011	As of December 31, 2010	Change(%)
<b>Total assets</b>	¥ 3,964,735	¥ 3,983,820	- 0.5
<b>Canon Inc. stockholders equity</b>	¥ 2,659,422	¥ 2,645,782	+ 0.5

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 83 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2011, solely for the convenience of the reader.

Canon Inc.  
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,  
Tokyo 146-8501, Japan  
Phone: +81-3-3758-2111

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## **I. Operating Results and Financial Conditions**

### **2011 First Quarter in Review**

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 totaled ¥839.2 billion (U.S.\$10,111 million), 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 (U.S.\$4,894 million) for the period. Despite ongoing Group-wide efforts to thoroughly reduce spending, operating expenses increased by ¥42.0 billion (U.S.\$506 million) due to the impact of the acquisition of Océ N.V. Consequently, operating profit decreased by 5.0% to ¥82.5 billion (U.S.\$994 million) for the quarter. Income before income taxes for the period totaled ¥82.0 billion (U.S.\$988 million), a decrease of 7.7% year on year, while net income attributable to Canon Inc. decreased by 2.4% to ¥55.5 billion (U.S.\$669 million) for the period.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥45.15 (U.S.\$0.54), a decrease of ¥0.87 (U.S.\$0.01) compared with the previous year.

### **Results by Segment**

Looking at Canon's quarterly performance by business sector, within the Office Business Unit, imageRUNNER 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 totaled ¥480.9 billion (U.S.\$5,794 million), growing 17.5% year on year. Operating profit decreased by 12.5% to ¥63.1 billion (U.S.\$760 million) 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 (U.S.\$3,489 million) 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 (U.S.\$481 million) 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 (U.S.\$1,107 million) for the quarter. Operating profit realized a turnaround, totaling ¥6.6 billion (U.S.\$80 million) for the quarter, an increase of ¥9.6 billion (U.S.\$116 million) from the year-ago period.

#### **Cash Flow**

During the first quarter, cash flow from operating activities totaled ¥71.9 billion (U.S.\$867 million), a decrease of ¥89.7 billion (U.S.\$1,081 million) 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 (U.S.\$778 million) year on year, totaling ¥46.5 billion (U.S.\$560 million). Accordingly, free cash flow totaled ¥25.4 billion (U.S.\$306 million), a decrease of ¥25.1 billion (U.S.\$303 million) from the previous year.

Cash flow from financing activities recorded an outlay of ¥73.9 billion (U.S.\$890 million), mainly arising from the dividend payout of ¥79.9 billion (U.S.\$962 million). Owing to these factors as well as the positive impact of ¥24.5 billion (U.S.\$295 million) by foreign currency translation adjustments, cash and cash equivalents decreased by ¥24.0 billion (U.S.\$289 million) year on year to ¥816.6 billion (U.S.\$9,839 million).

#### **Outlook**

As for the outlook in the second quarter onward, many uncertainties remain such as the negative impact of the earthquake in northeastern Japan, further appreciation of fuel prices and the financial crises in some European countries. On the other hand, Asia beginning with China and India, and other emerging markets are expected to continue to realize healthy growth; the United States is projected to maintain its upward momentum; and major European markets will continue to grow steadily. Taking into account these conditions, the world economy is likely to continue a self-sustained recovery. As for the Japanese economy, for the time being, it is expected to demonstrate continued weakness due to the earthquake in northeastern Japan. With the recovery in production activity, however, we expect the situation to improve.

In the businesses in which Canon is involved, within the office equipment market, demand for such products as network digital MFDs and laser printers is projected to grow steadily. With respect to the consumer products market, demand for digital SLR cameras is expected to display robust growth, while demand for compact digital cameras and inkjet printers will grow steadily. As a result of the earthquake in northeastern Japan, however, shortages in the supply capacity for certain products are expected to continue, for the time being. In the Industry and others market, while uncertainty remains for the future, demand for semiconductor lithography equipment will likely increase steadily, whereas demand for LCD lithography equipment is projected to decline from the year-ago period.

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. Canon seeks the restoration of production facilities and rebuilding of production systems.

With regard to currency exchange rates for the second quarter onward, on which Canon's performance outlook is based, despite the uncertainty over such factors as future interest rate policies for major countries and the speed and degree of the economic recovery, Canon anticipates exchange rates for the period of ¥85 to the U.S. dollar and



¥120 to the euro, representing appreciations of approximately ¥3 against the U.S. dollar, and depreciation of approximately ¥3 against the euro compared with the previous year. Upon taking into consideration these foreign exchange rate assumptions, current economic forecasts, the foreseeable impact of the earthquake in the short term and the recovery plan Canon sees as being achievable at this stage, Canon projects full-year consolidated net sales in 2011 of ¥3,730.0 billion (U.S.\$44,940 million), a year-on-year increase of 0.6%; operating profit of ¥335.0 billion (U.S.\$4,036 million), a year-on-year decrease of 13.6%; income before income taxes of ¥330.0 billion (U.S.\$3,976 million), a year-on-year decrease of 16.0%; and net income attributable to Canon Inc. of ¥220.0 billion (U.S.\$2,651 million), a year-on-year decrease of 10.8%.

Future prospects are quite uncertain, containing numerous variables, such as the supply of components and availability of electricity. As such, this outlook may drastically change depending on future circumstances.

### Consolidated Outlook

Fiscal year	Millions of yen				
	Year ending			Year ended December 31, 2010	Change (%)
	December 31, 2011		Change (B - A)		
	Previous Outlook (A)	Revised Outlook (B)		Results (C)	(B - C) / C
Net sales	¥ 4,100,000	¥ 3,730,000	¥ (370,000)	¥ 3,706,901	+0.6%
Operating profit	470,000	335,000	(135,000)	387,552	-13.6%
Income before income taxes	470,000	330,000	(140,000)	392,863	-16.0%
Net income attributable to					
Canon Inc.	¥ 310,000	¥ 220,000	¥ (90,000)	¥ 246,603	-10.8%

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.



## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	Millions of yen			Thousands of U.S. dollars
	As of	As of		As of
	March	December	Change	March 31,
	31,	31,		March 31,
	2011	2010		2011
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	¥ 816,615	¥ 840,579	¥ (23,964)	\$ 9,838,735
Short-term investments	105,995	96,815	9,180	1,277,048
Trade receivables, net	496,608	557,504	(60,896)	5,983,229
Inventories	435,921	384,777	51,144	5,252,060
Prepaid expenses and other current assets	254,322	250,754	3,568	3,064,121
Total current assets	2,109,461	2,130,429	(20,968)	25,415,193
Noncurrent receivables	16,840	16,771	69	202,892
Investments	65,531	81,529	(15,998)	789,530
Property, plant and equipment, net	1,202,745	1,201,968	777	14,490,904
Intangible assets, net	155,192	153,021	2,171	1,869,783
Other assets	414,966	400,102	14,864	4,999,590

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Total assets	¥ 3,964,735	¥ 3,983,820	¥ (19,085)	\$ 47,767,892
<b>LIABILITIES AND EQUITY</b>				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 15,109	¥ 7,200	¥ 7,909	\$ 182,036
Trade payables	376,468	383,251	(6,783)	4,535,759
Accrued income taxes	40,397	72,482	(32,085)	486,711
Accrued expenses	300,925	299,710	1,215	3,625,602
Other current liabilities	122,832	134,298	(11,466)	1,479,904
Total current liabilities	855,731	896,941	(41,210)	10,310,012
Long-term debt, excluding current installments	3,856	4,131	(275)	46,458
Accrued pension and severance cost	202,207	197,609	4,598	2,436,229
Other noncurrent liabilities	79,733	75,502	4,231	960,639
Total liabilities	1,141,527	1,174,183	(32,656)	13,753,338
Equity:				
Canon Inc. stockholders' equity:				
Common stock	174,762	174,762		2,105,566
Additional paid-in capital	400,598	400,425	173	4,826,482
Legal reserve	59,272	57,930	1,342	714,121
Retained earnings	2,939,507	2,965,237	(25,730)	35,415,747
Accumulated other comprehensive income (loss)	(352,596)	(390,459)	37,863	(4,248,145)
Treasury stock, at cost	(562,121)	(562,113)	(8)	(6,772,542)
Total Canon Inc. stockholders' equity	2,659,422	2,645,782	13,640	32,041,229

Noncontrolling interests	<b>163,786</b>	163,855	(69)	<b>1,973,325</b>
Total equity	<b>2,823,208</b>	2,809,637	13,571	<b>34,014,554</b>
Total liabilities and equity	<b>¥ 3,964,735</b>	¥ 3,983,820	¥ (19,085)	<b>\$ 47,767,892</b>

Millions of yen

Thousands of  
U.S. dollars

<b>As of</b>	As of	<b>As of</b>
<b>March 31,</b>	December 31,	<b>March 31,</b>
<b>2011</b>	2010	<b>2011</b>

Notes:

1. Allowance for doubtful receivables	¥ <b>14,925</b>	¥ 14,920	\$ <b>179,819</b>
2. Accumulated depreciation	<b>1,987,142</b>	1,909,703	<b>23,941,470</b>
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	<b>(286,538)</b>	(325,612)	<b>(3,452,265)</b>
Net unrealized gains and losses on securities	<b>3,242</b>	3,020	<b>39,060</b>
Net gains and losses on derivative instruments	<b>(586)</b>	917	<b>(7,060)</b>
Pension liability adjustments	<b>(68,714)</b>	(68,784)	<b>(827,880)</b>

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen			Thousands of U.S. dollars
	<b>Three months ended March 31, 2011</b>	Three months ended March 31, 2010	Change(%)	<b>Three months ended March 31, 2011</b>
Net sales	¥ <b>839,191</b>	¥ 755,526	+ 11.1	\$ <b>10,110,735</b>
Cost of sales	<b>432,954</b>	386,958		<b>5,216,313</b>
Gross profit	<b>406,237</b>	368,568	+ 10.2	<b>4,894,422</b>
Operating expenses:				
Selling, general and administrative expenses	<b>253,640</b>	210,792		<b>3,055,904</b>
Research and development expenses	<b>70,095</b>	70,933		<b>844,518</b>
	<b>323,735</b>	281,725		<b>3,900,422</b>
Operating profit	<b>82,502</b>	86,843	- 5.0	<b>994,000</b>
Other income (deductions):				
Interest and dividend income	<b>1,636</b>	1,021		<b>19,711</b>
Interest expense	<b>(438)</b>	(86)		<b>(5,277)</b>
Other, net	<b>(1,668)</b>	1,074		<b>(20,097)</b>
	<b>(470)</b>	2,009		<b>(5,663)</b>

Income before income taxes	<b>82,032</b>	88,852	-	7.7	<b>988,337</b>
Income taxes	<b>26,052</b>	30,117			<b>313,879</b>
Consolidated net income	<b>55,980</b>	58,735			<b>674,458</b>
Less: Net income attributable to noncontrolling interests	<b>518</b>	1,924			<b>6,241</b>
Net income attributable to Canon Inc.	<b>¥ 55,462</b>	¥ 56,811	-	2.4	<b>\$ 668,217</b>

Note: Consolidated comprehensive income for the three months ended March 31, 2011 and 2010 was JPY 94,618 million (U.S.\$ 1,139,976 thousand) and JPY 57,842 million, respectively.

### 3. DETAILS OF SALES

Sales by business unit	Millions of yen			Thousands of U.S. dollars
	Three months ended	Three months ended	Change(%)	Three months ended
	March 31, 2011	March 31, 2010		March 31, 2011
Office	<b>¥ 480,862</b>	¥ 409,134	+ 17.5	<b>\$ 5,793,518</b>
Consumer	<b>289,621</b>	290,287	- 0.2	<b>3,489,410</b>
Industry and Others	<b>91,936</b>	82,328	+ 11.7	<b>1,107,663</b>
Eliminations	<b>(23,228)</b>	(26,223)		<b>(279,856)</b>
Total	<b>¥ 839,191</b>	¥ 755,526	+ 11.1	<b>\$ 10,110,735</b>

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended	Three months ended	Change(%)	Three months ended
	March 31, 2011	March 31, 2010		March 31, 2011
Japan	¥ 158,048	¥ 167,516	- 5.7	\$ 1,904,193
Overseas:				
<i>Americas</i>	216,534	204,555	+ 5.9	2,608,843
<i>Europe</i>	279,953	230,678	+ 21.4	3,372,928
<i>Asia and Oceania</i>	184,656	152,777	+ 20.9	2,224,771
	681,143	588,010	+ 15.8	8,206,542
Total	¥ 839,191	¥ 755,526	+ 11.1	\$ 10,110,735

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

Office : Office network digital multifunction devices (MFDs) / Color network digital MFDs / Personal-use network digital MFDs /

Office copying machines / Full-color copying machines / Personal-use copying machines / Laser printers / Large format inkjet printers / Digital production printers

Consumer : Digital SLR cameras / Compact digital cameras / Interchangeable lenses / Digital video camcorders / Inkjet multifunction printers / Single function inkjet printers / Image scanners / Broadcast equipment / Calculators

Industry and Others : Semiconductor lithography equipment / LCD lithography equipment / Medical image recording equipment / Ophthalmic products / Magnetic heads / Micromotors / Computers / Handy terminals / Document scanners

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 /

Asia and Oceania: China, Asian countries, Australia

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	<b>Three months ended March 31, 2011</b>	Three months ended March 31, 2010	<b>Three months ended March 31, 2011</b>
Cash flows from operating activities:			
Consolidated net income	¥ <b>55,980</b>	¥ 58,735	\$ <b>674,458</b>
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	<b>61,728</b>	60,253	<b>743,711</b>
Loss on disposal of fixed assets	<b>1,421</b>	1,741	<b>17,120</b>
Deferred income taxes	<b>(1,335)</b>	(664)	<b>(16,084)</b>
Decrease in trade receivables	<b>88,409</b>	67,093	<b>1,065,169</b>
Increase in inventories	<b>(38,104)</b>	(50,862)	<b>(459,084)</b>
Increase (decrease) in trade payables	<b>(32,317)</b>	14,303	<b>(389,361)</b>
Decrease in accrued income taxes	<b>(32,926)</b>	(6,309)	<b>(396,699)</b>
Increase (decrease) in accrued expenses	<b>(8,880)</b>	3,322	<b>(106,988)</b>
Increase (decrease) in accrued (prepaid) pension and severance cost	<b>(616)</b>	1,291	<b>(7,422)</b>
Other, net	<b>(21,430)</b>	12,751	<b>(258,193)</b>
Net cash provided by operating activities	<b>71,930</b>	161,654	<b>866,627</b>



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Cash flows from investing activities:

Purchases of fixed assets	<b>(50,310)</b>	(50,518)	<b>(606,145)</b>
Proceeds from sale of fixed assets	<b>401</b>	631	<b>4,831</b>
Purchases of available-for-sale securities	<b>(305)</b>	(8,842)	<b>(3,675)</b>
Proceeds from sale and maturity of available-for-sale securities	<b>1,148</b>	24	<b>13,831</b>
(Increase) decrease in time deposits, net	<b>(8,614)</b>	937	<b>(103,783)</b>
Acquisitions of subsidiaries, net of cash acquired	<b>0</b>	(52,959)	<b>0</b>
Purchases of other investments	<b>(110)</b>	(505)	<b>(1,325)</b>
Other, net	<b>11,274</b>	127	<b>135,832</b>
Net cash used in investing activities	<b>(46,516)</b>	(111,105)	<b>(560,434)</b>

Cash flows from financing activities:

Proceeds from issuance of long-term debt	<b>221</b>	1,815	<b>2,663</b>
Repayments of long-term debt	<b>(1,161)</b>	(1,213)	<b>(13,988)</b>
Increase (decrease) in short-term loans, net	<b>8,292</b>	(55,590)	<b>99,904</b>
Dividends paid	<b>(79,850)</b>	(67,897)	<b>(962,048)</b>
Repurchases of treasury stock, net	<b>(8)</b>	(12)	<b>(96)</b>
Other, net	<b>(1,351)</b>	(1,370)	<b>(16,278)</b>
Net cash used in financing activities	<b>(73,857)</b>	(124,267)	<b>(889,843)</b>
Effect of exchange rate changes on cash and cash equivalents	<b>24,479</b>	(5,775)	<b>294,927</b>
Net change in cash and cash equivalents	<b>(23,964)</b>	(79,493)	<b>(288,723)</b>
Cash and cash equivalents at beginning of period	<b>840,579</b>	795,034	<b>10,127,458</b>

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Cash and cash equivalents at end of period	¥ <b>816,615</b>	¥ 715,541	\$ <b>9,838,735</b>
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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

## (1) SEGMENT INFORMATION BY BUSINESS UNIT

	Millions of yen			Thousands of U.S. dollars
	<b>Three months ended March 31, 2011</b>	Three months ended March 31, 2010	Change(%)	<b>Three months ended March 31, 2011</b>
<b>Office</b>				
Net sales:				
External customers	¥ 479,051	¥ 405,516	+ 18.1	\$ 5,771,699
Intersegment	1,811	3,618	- 49.9	21,819
Total	480,862	409,134	+ 17.5	5,793,518
Operating cost and expenses	417,810	337,047	+ 24.0	5,033,855
Operating profit	¥ 63,052	¥ 72,087	- 12.5	\$ 759,663
<b>Consumer</b>				
Net sales:				
External customers	¥ 289,368	¥ 289,729	- 0.1	\$ 3,486,361
Intersegment	253	558	- 54.7	3,048
Total	289,621	290,287	- 0.2	3,489,409
Operating cost and expenses	249,712	242,954	+ 2.8	3,008,578
Operating profit	¥ 39,909	¥ 47,333	- 15.7	\$ 480,831
<b>Industry and Others</b>				
Net sales:				
External customers	¥ 70,772	¥ 60,281	+ 17.4	\$ 852,675
Intersegment	21,164	22,047	- 4.0	254,988

Total	<b>91,936</b>	82,328	+	11.7	<b>1,107,663</b>
Operating cost and expenses	<b>85,333</b>	85,283	+	0.1	<b>1,028,109</b>
Operating profit (loss)	<b>¥ 6,603</b>	¥ (2,955)	-		<b>\$ 79,554</b>
<b>Corporate and Eliminations</b>					
Net sales:					
External customers	<b>¥ -</b>	¥ -	-		<b>\$ -</b>
Intersegment	<b>(23,228)</b>	(26,223)	-		<b>(279,855)</b>
Total	<b>(23,228)</b>	(26,223)	-		<b>(279,855)</b>
Operating cost and expenses	<b>3,834</b>	3,399	-		<b>46,193</b>
Operating profit	<b>¥ (27,062)</b>	¥ (29,622)	-		<b>\$ (326,048)</b>
<b>Consolidated</b>					
Net sales:					
External customers	<b>¥ 839,191</b>	¥ 755,526	+	11.1	<b>\$ 10,110,735</b>
Intersegment	<b>-</b>	-	-		<b>-</b>
Total	<b>839,191</b>	755,526	+	11.1	<b>10,110,735</b>
Operating cost and expenses	<b>756,689</b>	668,683	+	13.2	<b>9,116,735</b>
Operating profit	<b>¥ 82,502</b>	¥ 86,843	-	5.0	<b>\$ 994,000</b>

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## (2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

	Millions of yen			Thousands of U.S. dollars	
	Three months ended March 31, 2011	Three months ended March 31, 2010	Change(%)		Three months ended March 31, 2011
<b>Japan</b>					
Net sales:					
External customers	¥ 177,476	¥ 189,383	-	6.3	\$ 2,138,265
Intersegment	442,932	434,195	+	2.0	5,336,530
Total	620,408	623,578	-	0.5	7,474,795
Operating cost and expenses	533,874	528,433	+	1.0	6,432,217
Operating profit	¥ 86,534	¥ 95,145	-	9.1	\$ 1,042,578
<b>Americas</b>					
Net sales:					
External customers	¥ 215,677	¥ 201,047	+	7.3	\$ 2,598,518
Intersegment	3,113	324	+	860.8	37,506
Total	218,790	201,371	+	8.7	2,636,024
Operating cost and expenses	217,745	197,425	+	10.3	2,623,434
Operating profit	¥ 1,045	¥ 3,946	-	73.5	\$ 12,590
<b>Europe</b>					
Net sales:					
External customers	¥ 277,713	¥ 228,850	+	21.4	\$ 3,345,940
Intersegment	882	1,256	-	29.8	10,626
Total	278,595	230,106	+	21.1	3,356,566
Operating cost and expenses	267,276	223,272	+	19.7	3,220,193
Operating profit	¥ 11,319	¥ 6,834	+	65.6	\$ 136,373

**Asia and Oceania**

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Net sales:					
External customers	¥ 168,325	¥ 136,246	+	23.5	\$ 2,028,012
Intersegment	185,858	151,761	+	22.5	2,239,253
Total	354,183	288,007	+	23.0	4,267,265
Operating cost and expenses	339,907	277,192	+	22.6	4,095,265
Operating profit	¥ 14,276	¥ 10,815	+	32.0	\$ 172,000

**Corporate and Eliminations**

Net sales:					
External customers	¥ -	¥ -	-	-	\$ -
Intersegment	(632,785)	(587,536)	-	-	(7,623,915)
Total	(632,785)	(587,536)	-	-	(7,623,915)
Operating cost and expenses	(602,113)	(557,639)	-	-	(7,254,374)
Operating profit	¥ (30,672)	¥ (29,897)	-	-	\$ (369,541)

**Consolidated**

Net sales:					
External customers	¥ 839,191	¥ 755,526	+	11.1	\$ 10,110,735
Intersegment	-	-	-	-	-
Total	839,191	755,526	+	11.1	10,110,735
Operating cost and expenses	756,689	668,683	+	13.2	9,116,735
Operating profit	¥ 82,502	¥ 86,843	-	5.0	\$ 994,000

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS' EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES(1) GROUP POSITION

## 1. Number of Group Companies

	March 31, 2011	December 31, 2010	Change
Subsidiaries	291	294	(3)
Affiliates	14	14	-
Total	305	308	(3)

## 2. Change in Group Entities

## Subsidiaries

Removal: 3 companies

## 3. Subsidiaries Listed on Domestic Stock Exchange

Tokyo Stock Exchange (1st section): Canon Marketing Japan Inc., Canon Electronics Inc.

(2) SIGNIFICANT ACCOUNTING POLICIES

Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.

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Canon Inc.  
April 26, 2011

CONSOLIDATED FINANCIAL RESULTS FOR

THE FIRST QUARTER ENDED MARCH 31, 2011  
SUPPLEMENTARY REPORT  
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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.

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(Millions of yen)						
<b>1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT</b>						
	2011		2010		Change year over year	
	1st quarter	Year (P)	1st quarter	Year	1st quarter	Year
<b>Japan</b>						
Office	91,059	-	95,514	376,928	-4.7%	-
Consumer	38,632	-	46,177	216,509	-16.3%	-
Industry and Others	28,357	-	25,825	102,312	+9.8%	-
Total	158,048	681,700	167,516	695,749	-5.7%	-2.0%
<b>Overseas</b>						
Office	387,992	-	310,002	1,602,017	+25.2%	-
Consumer	250,736	-	243,552	1,173,113	+2.9%	-
Industry and Others	42,415	-	34,456	236,022	+23.1%	-
Total	681,143	3,048,300	588,010	3,011,152	+15.8%	+1.2%
<b>Americas</b>						
Office	142,410	-	119,557	601,090	+19.1%	-
Consumer	66,136	-	76,165	379,522	-13.2%	-
Industry and Others	7,988	-	8,833	42,687	-9.6%	-
Total	216,534	970,600	204,555	1,023,299	+5.9%	-5.1%
<b>Europe</b>						
Office	182,180	-	137,852	733,216	+32.2%	-
Consumer	89,751	-	86,183	407,994	+4.1%	-
Industry and Others	8,022	-	6,643	31,264	+20.8%	-
Total	279,953	1,217,600	230,678	1,172,474	+21.4%	+3.8%

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<b>Asia and Oceania</b>						
Office	63,402	-	52,593	267,711	+20.6%	-
Consumer	94,849	-	81,204	385,597	+16.8%	-
Industry and Others	26,405	-	18,980	162,071	+39.1%	-
Total	184,656	860,100	152,777	815,379	+20.9%	+5.5%
<b>Intersegment</b>						
Office	1,811	-	3,618	8,324	-49.9%	-
Consumer	253	-	558	1,705	-54.7%	-
Industry and Others	21,164	-	22,047	94,624	-4.0%	-
Eliminations	(23,228)	-	(26,223)	(104,653)	-	-
Total	0	0	0	0	-	-
<b>Total</b>						
Office	480,862	2,038,800	409,134	1,987,269	+17.5%	+2.6%
Consumer	289,621	1,377,700	290,287	1,391,327	-0.2%	-1.0%
Industry and Others	91,936	391,800	82,328	432,958	+11.7%	-9.5%
Eliminations	(23,228)	(78,300)	(26,223)	(104,653)	-	-
Total	839,191	3,730,000	755,526	3,706,901	+11.1%	+0.6%

(P)=Projection

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(Millions of yen)

**2. SEGMENT INFORMATION BY BUSINESS UNIT**

	2011		2010		Change year over year	
	1st quarter	Year (P)	1st quarter	Year	1st quarter	Year
<b>Office</b>						
External customers	479,051	2,026,000	405,516	1,978,945	+18.1%	+2.4%
Intersegment	1,811	12,800	3,618	8,324	-49.9%	+53.8%
Total sales	480,862	2,038,800	409,134	1,987,269	+17.5%	+2.6%
Operating profit	63,052	240,000	72,087	293,322	-12.5%	-18.2%
% of sales	13.1%	11.8%	17.6%	14.8%	-	-
<b>Consumer</b>						
External customers	289,368	1,375,700	289,729	1,389,622	-0.1%	-1.0%
Intersegment	253	2,000	558	1,705	-54.7%	+17.3%
Total sales	289,621	1,377,700	290,287	1,391,327	-0.2%	-1.0%
Operating profit	39,909	215,000	47,333	238,065	-15.7%	-9.7%
% of sales	13.8%	15.6%	16.3%	17.1%	-	-
<b>Industry and Others</b>						
External customers	70,772	328,300	60,281	338,334	+17.4%	-3.0%
Intersegment	21,164	63,500	22,047	94,624	-4.0%	-32.9%
Total sales	91,936	391,800	82,328	432,958	+11.7%	-9.5%
Operating profit	6,603	16,000	(2,955)	(9,831)	-	-
% of sales	7.2%	4.1%	-3.6%	-2.3%	-	-
<b>Corporate and Eliminations</b>						
External customers	-	-	-	-	-	-
Intersegment	(23,228)	(78,300)	(26,223)	(104,653)	-	-
Total sales	(23,228)	(78,300)	(26,223)	(104,653)	-	-
Operating profit	(27,062)	(136,000)	(29,622)	(134,004)	-	-

**Consolidated**

External customers	839,191	3,730,000	755,526	3,706,901	+11.1%	+0.6%
Intersegment	-	-	-	-	-	-
Total sales	839,191	3,730,000	755,526	3,706,901	+11.1%	+0.6%
Operating profit	82,502	335,000	86,843	387,552	-5.0%	-13.6%
% of sales	9.8%	9.0%	11.5%	10.5%	-	-

(P)=Projection

(Millions of yen)

**3. OTHER INCOME / DEDUCTIONS**

	2011		2010		Change year over year	
	1st quarter	Year (P)	1st quarter	Year	1st quarter	Year
Interest and dividend, net	1,198	4,900	935	4,091	+263	+809
Forex gain / loss	2,893	(2,200)	2,746	3,089	+147	(5,289)
Equity earnings / loss of affiliated companies	(2,878)	(2,200)	(3,181)	10,471	+303	(12,671)
Other, net	(1,683)	(5,500)	1,509	(12,340)	(3,192)	+6,840
Total	(470)	(5,000)	2,009	5,311	(2,479)	(10,311)

(P)=Projection

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**4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT**

	2011		2010	
	1st quarter	Year (P)	1st quarter	Year
<b>Office</b>				
Monochrome copiers	15%	14%	18%	15%
Color copiers	17%	16%	20%	17%
Other printing devices	48%	49%	54%	50%
Others	20%	21%	8%	18%
<b>Consumer</b>				
Cameras	69%	69%	67%	70%
Inkjet printers	26%	26%	27%	24%
Others	5%	5%	6%	6%
<b>Industry and Others</b>				
Lithography equipment	20%	18%	9%	23%
Others	80%	82%	91%	77%

(P)=Projection

**5. SALES GROWTH IN LOCAL CURRENCY (Year over year)**

	2011	
	1st quarter	Year(P)
<b>Office</b>		
Japan	-4.7%	-
Overseas	+35.6%	-

Total	+25.4%	+3.2%
<b>Consumer</b>		
Japan	-16.3%	-
Overseas	+12.3%	-
Total	+7.6%	-0.7%
<b>Industry and Others</b>		
Japan	+9.8%	-
Overseas	+28.2%	-
Total	+13.8%	-9.2%
<b>Total</b>		
Japan	-5.7%	-2.0%
Overseas	+25.5%	+1.8%
Americas	+15.4%	-2.4%
Europe	+32.7%	+2.0%
Asia and Oceania	+28.2%	+6.7%
Total	+18.6%	+1.1%

(P)=Projection

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Canon Inc.

**6. PROFITABILITY**

	2011		2010	
	1st quarter	Year (P)	1st quarter	Year
ROE *1	8.4%	8.1%	8.5%	9.2%
ROA *2	5.6%	5.4%	5.8%	6.3%

\*1 Return on Equity ; Based on Net Income attributable to Canon Inc. and Total Canon Inc. Stockholders Equity (P)=Projection

\*2 Return on Assets ; Based on Net Income attributable to Canon Inc.

**7. IMPACT OF FOREIGN EXCHANGE RATES****(1) Exchange rates**

(Yen)

	2011			2010	
	1st quarter	2nd-4th quarter (P)	Year (P)	1st quarter	Year
Yen/US\$	82.28	85.00	84.36	90.63	87.40
Yen/Euro	112.86	120.00	118.28	125.07	114.97

(P)=Projection

**(2) Impact of foreign exchange rates on sales (Year over year)**

(Billions of yen)

	2011	
	1st quarter	Year (P)
US\$	(27.6)	(40.0)
Euro	(19.4)	+29.8
Other currencies	(3.0)	+0.9
Total	(50.0)	(9.3)

(P)=Projection

**(3) Impact of foreign exchange rates per yen**

(Billions of yen)

2011
2nd-4th quarter (P)

On sales	
US\$	13.3
Euro	7.3
On operating profit	
US\$	6.3
Euro	3.9

(P)=Projection

**8. STATEMENTS OF CASH FLOWS**

(Millions of yen)

	2011		2010	
	1st quarter	Year (P)	1st quarter	Year
Net cash provided by operating activities	71,930	470,000	161,654	744,413
Net cash used in investing activities	(46,516)	(400,000)	(111,105)	(342,133)
Free cash flow	25,414	70,000	50,549	402,280
Net cash used in financing activities	(73,857)	(143,500)	(124,267)	(279,897)
Effect of exchange rate changes on cash and cash equivalents	24,479	32,900	(5,775)	(76,838)
Net change in cash and cash equivalents	(23,964)	(40,600)	(79,493)	45,545
Cash and cash equivalents at end of period	816,615	800,000	715,541	840,579

(P)=Projection

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(Millions of yen)

**9. R&D EXPENDITURE**

	2011		2010	
	1st quarter	Year (P)	1st quarter	Year
Office	23,997	-	18,299	96,156
Consumer	18,835	-	19,952	82,843
Industry and Others	5,080	-	4,524	21,062
Corporate and Eliminations	22,183	-	28,158	115,756
<b>Total</b>	<b>70,095</b>	<b>330,000</b>	<b>70,933</b>	<b>315,817</b>
% of sales	8.4%	8.8%	9.4%	8.5%

(P)=Projection

**10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION**

(Millions of yen)

	2011		2010	
	1st quarter	Year (P)	1st quarter	Year
<b>Increase in PP&amp;E</b>	<b>43,694</b>	<b>260,000</b>	<b>38,572</b>	<b>158,976</b>
<b>Depreciation and amortization</b>	<b>61,728</b>	<b>300,000</b>	<b>60,253</b>	<b>276,193</b>

(P)=Projection

**11. INVENTORIES**

**(1) Inventories**

(Millions of yen)

	2011	2010	Difference
	Mar.31	Dec.31	
Office	198,281	186,817	+11,464
Consumer	132,877	107,261	+25,616
Industry and Others	104,763	90,699	+14,064

Total	435,921	384,777	+51,144
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**(2) Inventories/Sales\*** (Days)

	2011	2010	Difference
	Mar.31	Dec.31	
Office	35	32	+3
Consumer	35	27	+8
Industry and Others	109	88	+21
Total	42	35	+7

\*Index based on the previous six months sales.

**12. DEBT RATIO**

	2011	2010	Difference
	Mar.31	Dec.31	
Total debt / Total assets	0.5%	0.3%	+0.2%

**13. OVERSEAS PRODUCTION RATIO**

	2011	2010
	1st quarter	Year
Overseas production ratio	53%	49%

**14. NUMBER OF EMPLOYEES**

	2011	2010	Difference
	Mar.31	Dec.31	
Japan	70,808	71,954	(1,146)
Overseas	125,266	125,432	(166)
Total	196,074	197,386	(1,312)

