

CANON INC
Form 6-K
May 14, 2012

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**, **2012**

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 14, 2012.** .

By /s/ Toshihide Aoki
(Signature)*

Toshihide Aoki
General Manager
Consolidated Accounting Div.
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, 2012

[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, 2012

CANON INC.

Tokyo, Japan

CONTENTS

	<u>Page</u>
I Corporate Information	
(1) Consolidated Financial Summary	2
(2) Description of Business	2
II The Business	
(1) Risk Factors	3
(2) Significant Business Contracts Entered into in the First Quarter of Fiscal 2012	3
(3) Operating Results	3
III Company Information	
(1) Shares	7
(2) Directors and Executive Officers	8
IV Financial Statements	
(1) Consolidated Financial Statements	9
(2) Other Information	34

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 currency 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 currency exchange rate fluctuations; uncertainty as to economic conditions in Canon's major markets; uncertainty of continued demand for Canon's high-value-added products; Canon's ability to continue to develop products and to 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 currency exchange rates; disasters, outrages or similar events; and inventory risk due to disruptions in supply chains and shifts in market demand.

I. Corporate Information

(1) Consolidated Financial Summary

Millions of yen (except per share amounts)

	Three months ended	Three months ended	Year ended
	March 31, 2012	March 31, 2011	December 31, 2011
Net sales	829,240	839,191	3,557,433
Income before income taxes	92,724	82,032	374,524
Net income attributable to Canon Inc.	61,538	55,462	248,630
Comprehensive income	133,927	94,618	159,081
Canon Inc. stockholders' equity	2,556,380	2,659,422	2,551,132
Total equity	2,714,589	2,823,208	2,713,667
Total assets	3,949,681	3,964,735	3,930,727
Net income attributable to Canon Inc. stockholders per share:			
Basic (yen)	51.53	45.15	204.49
Diluted (yen)	51.53	45.14	204.48
Canon Inc. stockholders' equity to total assets (%)	64.7	67.1	64.9
Cash flows from operating activities	56,126	71,930	469,562
Cash flows from investing activities	(77,875)	(46,516)	(256,543)
Cash flows from financing activities	(131,316)	(73,857)	(257,513)
Cash and cash equivalents at end of period	645,484	816,615	773,227

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 .

Canon (consisting of the Company, 285 consolidated subsidiaries and 10 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, 2012.

No additions or removals of significant group entities have occurred during the three months ended March 31, 2012.

II. The Business

(1) 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.

(2) Significant Business Contracts Entered into in the First Quarter of Fiscal 2012

No material contracts were entered into during the three months ended March 31, 2012.

(3) Operating Results

Looking back at the global economy in the first quarter of 2012, in the United States, the economy showed positive signs of recovery as consumer confidence picked up slightly while the European economy recorded negative growth reflecting the impact of the debt crisis on the real economy. Growth in emerging economies, such as China and India, slowed down somewhat due to lagging exports and investment while within Japan, production activities recovered from the previous year's earthquake in Japan and flooding in Thailand. The global economy as a whole realized moderate growth owing to a short-term alleviation of the downward risks related to the debt crisis in Europe and continued domestic demand in emerging economies.

As for the markets in which Canon operates amid these conditions, within the office equipment market, while demand for color multifunction devices (MFDs) continued to display growth, demand within the laser printer market cooled down mainly in Europe. With regard to the consumer products market, demand for digital single-lens reflex (SLR) cameras continued to realize robust growth in all regions. As for inkjet printers, although demand remained solid in emerging economies, sales overall declined due to product supply shortages and other factors. In the industry and others sector, although the market for semiconductor lithography equipment recorded solid growth, demand for equipment used to manufacture large-size liquid crystal display (LCD) panels remained sluggish.

The average values of the yen during the first quarter of the year were ¥79.72 to the U.S. dollar, a year-on-year appreciation of approximately ¥3, and ¥104.57 to the euro, a year-on-year appreciation of approximately ¥8.

Despite improvements in such factors as the downward risks of the global economy that were felt at the beginning of the year and the historically strong yen, the business environment remained harsh in the first quarter as business sentiment, mainly in Europe, worsened and the average values of the yen appreciated. Amid this environment, net sales totaled ¥829.2 billion, a year-on-year decrease of just 1.2%, owing to Group-wide efforts to achieve sales growth. The gross profit ratio declined by 1.3 points from the year-ago period to 47.1%, mainly due to the effects of the strong yen and product mix, while gross profit totaled ¥390.9 billion, a year-on-year decrease of 3.8%. Operating expenses decreased by 4.8% to ¥308.2 billion, owing to efforts to thoroughly reduce spending by controlling expenses more efficiently. As a result, first-quarter operating profit increased by 0.2% to ¥82.7 billion. Other income (deductions) achieved a turnaround of ¥10.5 billion owing to an improvement in foreign currency exchange losses, resulting in income before income taxes of ¥92.7 billion, an increase of 13.0% from the year-ago period. With net income attributable to Canon Inc. increasing by 11.0% to ¥61.5 billion for the quarter, operating profit, income before income taxes and net income attributable to Canon Inc. have realized year-on-year increases for three consecutive quarters.

Basic net income attributable to Canon Inc. stockholders per share was ¥51.53, an increase of ¥6.38 compared with the corresponding quarter of the previous year.

(3) Operating Results (continued)

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, amid the admirable sales performance of color MFDs led by the imageRUNNER ADVANCE C5000/C2000 series, sales volumes of both monochrome and color MFDs increased from the year-ago period. In addition, sales of imagePRESS C7010VPS-series color MFDs for production printing, machines that were jointly developed by Canon and Océ, gained momentum and contributed to increased unit sales of production printing devices. As for laser printers, deteriorating business sentiment along with channel inventory adjustment led to a temporary slowdown in demand mainly in Europe and the United States. Additionally, affected by the appreciation of the yen, sales for the business unit totaled ¥438.0 billion, a decline of 8.9% year on year, while operating profit totaled ¥52.8 billion, a decrease of 16.2%.

Within the Consumer Business Unit, unit sales of digital SLR cameras recorded significant growth for such products as the competitively priced EOS Digital Rebel T3i (EOS 600D) and the advanced-amateur-model EOS 5D Mark II and EOS 60D, driven by efforts to boost production and expand sales in response to heightened demand. The EOS 5D Mark III, which was released in March 2012, displayed robust growth and also contributed to increased sales. As for compact digital cameras, sales of four new ELPH (IXUS)-series and six new PowerShot-series models launched in February this year recorded healthy growth. With regard to inkjet printers, sales volumes declined as the effects of the previous year's flooding in Thailand on production continued to be felt through February this year. Furthermore, the company successfully launched its Cinema EOS System lineup of professional cinematography products, targeting Hollywood and the broader motion picture and television production market, along with the new DreamLabo 5000, targeting the commercial photo printing market. As a result, sales for the Consumer Business Unit increased by 4.8% year on year to ¥303.5 billion, while operating profit increased by 17.1% to ¥46.7 billion.

In the Industry and Others Business Unit, i-line steppers recorded healthy sales thanks to active investment in semiconductor lithography equipment to produce digital semiconductor devices, which are used in smartphones. Unit sales of LCD lithography equipment, on the other hand, dropped substantially in the face of shrinking demand for equipment used in the production of large-size panels, an area in which Canon is particularly strong. Additionally, sales of equipment used to manufacture organic LED (Light-Emitting Diode) panels increased owing to active investment by organic LED panel manufacturers. Consequently, sales for the segment totaled ¥109.8 billion, an increase of 19.4%, while operating profit totaled ¥4.0 billion, a decrease of 39.5% from the year-ago period.

(3) **Operating Results (continued)**

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

Japan

Owing to the recovery from the aftermath of the earthquake along with the acquisitions of domestic companies, net sales in Japan for the first quarter increased by 7.9% from the year-ago period to ¥669.4 billion. Operating profit dropped 16.2% year on year to ¥72.6 billion for the quarter.

Net sales outside Japan, declined in Americas and Europe due to the effects of the strong yen and harsh business environment in Europe, on the other hand, solid growth of digital SLR cameras and laser printers contributed to sales increase in Asia-Oceania.

Americas

Due to the severe appreciation of the yen against the U.S. dollar and slowed down market of laser printers, sales decreased by 3.0% from the year-ago period to ¥212.2 billion. Operating profit for the quarter totaled ¥4.2 billion, an increase of 305.0% year on year.

Europe

Sales for the quarter decreased by 11.9% from the same period of the previous year to ¥245.6 billion, due to the severe appreciation of the yen against the euro and cooled down market in laser printers caused by the harsh business environment. Operating profit in Europe decreased by 3.8% year on year to ¥10.9 billion for the quarter.

Asia and Oceania

Sales increased by 3.4% to ¥366.2 billion for the first quarter due to solid growth in emerging economies, including sales growth in digital SLR cameras. Operating profit in Asia and Oceania increased 46.0% to ¥20.8 billion for the quarter.

(3) Operating Results (continued)

Cash Flows

During the first quarter of 2012, cash flow from operating activities totaled ¥56.1 billion, a decrease of ¥15.8 billion compared with the year-ago period, owing to the effects of the optimizing of inventory levels in accordance with the recovery in production. Due to increased capital investment relevant to production, cash flow from investing activities increased ¥31.4 billion year on year to ¥77.9 billion. Accordingly, free cash flow totaled negative ¥21.8 billion, a decrease of ¥47.2 billion from the previous year.

Cash flow from financing activities recorded an outlay of ¥131.3 billion, mainly arising from the dividend payout and the repurchase of treasury stock. Owing to these factors, as well as the positive impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥127.7 billion year on year to ¥645.5 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, 2012.

Research and Development Expenditures

Canon's research and development expenditures for the three months ended March 31, 2012 totaled ¥72.0 billion.

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 2012.

(2) Prospect of Capital Investment in the First Quarter of Fiscal 2012

The new construction of property, plant and equipment, which had been in progress as of December 31, 2011 and was completed during the first quarter of 2012, is as follows:

Name and location	Principal activities and products manufactured	Date of completion
Hita Canon Materials Inc.	Components for toner cartridges	February 2012
Oita, Japan*	(Office Business Unit)	March 2012
Canon Zhongshan Business Machines Co., Ltd.	Laser printers	March 2012
Zhongshan, China	(Office Business Unit)	

*To be leased to Hita Canon Materials Inc. by the Company

There were no significant changes in the plans relevant to the retirement of property, plant and equipment during the first quarter of 2012. Moreover, there were no significant additional plans for new construction or retirement of property, plant and equipment during the first quarter of 2012.

III. 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, 2012
Total number of issued shares	1,333,763,464
<u>Stock Acquisition Rights</u>	

Not applicable.

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

Not applicable.

Rights Plan

Not applicable.

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

	Change during this term	As of March 31, 2012
Issued Shares (Number of shares)	-	1,333,763,464
Common Stock (millions of yen)	-	174,762
Additional Paid-in Capital (millions of yen)	-	306,288

Major Shareholders

Not applicable.

(1) **Shares (continued)**

Voting Rights

	As of March 31, 2012	
Classification	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) 146,750,300	
	(cross shareholding) 3,700	-
Shares with full voting rights (Others)	1,185,104,300	11,851,043
Fractional unit shares	1,905,164	-
Total number of issued shares	1,333,763,464	-
Total voting rights held by all shareholders	-	11,851,043

Note:

In Fractional unit shares under Number of shares, 36 shares of treasury stock and 50 shares of cross shareholding are included.

Treasury Stock, etc.

	Number of shares owned (Number of shares)	Number of shares owned / Number of shares issued
Canon Inc.	146,750,300	11.00%
Horie Mfg. Co., Ltd.	3,700	0.00%
Total	146,754,000	11.00%

(2) **Directors and Executive Officers**

There were no changes in members of directors or executive officers between the filing date of the Annual Securities Report (Yukashoken Houkokusho) for the fiscal year ended December 31, 2011 and the end of this quarter.

IV. Financial Statements (Unaudited)

(1) Consolidated Financial Statements

Index of Consolidated Financial Statements of Canon Inc. and Subsidiaries:

	Page
Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011	10
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011	12
Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011	13
Notes to Consolidated Financial Statements	14

CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	Millions of yen	
	March 31, 2012	December 31, 2011
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Note 13)	645,484	773,227
Short-term investments (Note 2)	131,587	125,517
Trade receivables, net (Note 3)	512,338	533,208
Inventories (Note 4)	553,864	476,704
Prepaid expenses and other current assets (Notes 9 and 13)	277,320	244,649
 Total current assets	 2,120,593	 2,153,305
 Noncurrent receivables (Note 10)	 16,238	 16,772
Investments (Note 2)	57,705	51,790
Property, plant and equipment, net (Note 5)	1,222,826	1,190,836
Intangible assets, net	139,685	138,030
Other assets (Note 13)	392,634	379,994
 Total assets	 3,949,681	 3,930,727

CANON INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)

	Millions of yen	
	March 31, 2012	December 31, 2011
<u>Liabilities and equity</u>		
Current liabilities:		
Short-term loans and current portion of long-term debt	11,303	8,343
Trade payables (Note 6)	392,414	380,532
Accrued income taxes	43,532	45,900
Accrued expenses (Note 10)	298,759	