

CANON INC
Form 6-K
January 28, 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**January**..... , **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.... **January 27, 2011**...

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

Masashiro Kobayashi
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. CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2010
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RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2010

January 27, 2011

CONSOLIDATED RESULTS

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

	Year ended December 31, 2010	Year ended December 31, 2009	Actual		Year ended December 31, 2010	Year ending December 31, 2011	Projected Change(%)
			Change(%)				
Net sales	¥ 3,706,901	¥ 3,209,201	+	15.5	\$ 45,764,210	¥ 4,100,000	+ 10.6
Operating profit	387,552	217,055	+	78.6	4,784,593	470,000	+ 21.3
Income before income taxes	392,863	219,355	+	79.1	4,850,160	470,000	+ 19.6
Net income attributable to Canon Inc.	¥ 246,603	¥ 131,647	+	87.3	\$ 3,044,481	¥ 310,000	+ 25.7
Net income attributable to Canon Inc. stockholders per share:							
- Basic	¥ 199.71	¥ 106.64	+	87.3	\$ 2.47	¥ 252.35	+ 26.4
- Diluted	199.70	106.64	+	87.3	2.47	-	-

	As of December 31, 2010	As of December 31, 2009	Actual		As of December 31, 2010
			Change(%)		
Total assets	¥ 3,983,820	¥ 3,847,557	+	3.5	\$ 49,182,963
Canon Inc. stockholders equity	¥ 2,645,782	¥ 2,688,109	-	1.6	\$ 32,663,975

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 81= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2010, solely for the convenience of the reader.

NON-CONSOLIDATED RESULTS

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

Year ended	Year ended	Actual		Year ended
		Change(%)		

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	December 31, 2010	December 31, 2009		December 31, 2010
Net sales	¥ 2,317,043	¥ 2,025,546	+ 14.4	\$ 28,605,469
Operating profit	240,365	97,777	+ 145.8	2,967,469
Ordinary profit	274,742	142,684	+ 92.6	3,391,877
Net income	¥ 152,498	¥ 80,778	+ 88.8	\$ 1,882,691
Net income per share:				
- Basic	¥ 123.50	¥ 65.44	+ 88.7	\$ 1.52
- Diluted	123.49	65.43	+ 88.7	1.52
Dividend per share	120.00	110.00	+ 9.1	1.48

	As of December 31, 2010	Actual As of December 31, 2009	Change(%)	As of December 31, 2010
Total assets	¥ 2,603,429	¥ 2,551,100	+ 2.1	\$ 32,141,099
Net assets	¥ 1,811,901	¥ 1,812,718	- 0.0	\$ 22,369,148

Note: U.S. dollar amounts are translated from yen at the rate of JPY 81= U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2010, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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I. Operating Results and Financial Conditions

2010 Fourth Quarter in Review

Looking back at the global economy in 2010, economic conditions continued to improve broadly throughout the world, led by the economic growth of such emerging markets as China and India. In the United States, despite the unemployment rate remaining at a relatively high level and other concerns, economic conditions continued to recover gradually thanks in part to economic measures by the government. As for Europe, in spite of lingering financial and employment concerns along with the emergence of financial crises in some countries, the region overall managed to realize a recovery. China, which quickly recovered its growth pace through major economic stimulus measures, and the rest of Asia, along with other emerging nations, continued to achieve economic expansion. And in Japan, although signs began to appear indicating a turnaround, the recovery came to a standstill at the end of 2010 due to prolonged deflation and other factors.

As for the markets in which Canon operates amid these conditions, within the office equipment market, demand for network digital multifunction devices (MFDs) recovered, mainly for color models, while laser printers also realized a steady rebound compared with the previous year. As for the consumer products market, demand for digital single-lens reflex (SLR) cameras maintained healthy growth across global markets. As for compact digital cameras, although sales were sluggish in developed countries, demand in emerging markets grew favorably resulting in a slight increase overall. With regard to inkjet printers, demand continued on a track to recovery. In the industry and others market, demand for semiconductor lithography equipment and liquid crystal display (LCD) lithography equipment grew steadily, owing to improved investment by semiconductor device and LCD panel manufacturers.

The average value of the yen during the year was ¥87.40 against the U.S. dollar, a year-on-year appreciation of approximately ¥6, and ¥114.97 against the euro, a year-on-year appreciation of approximately ¥15.

Amid the impact of the sharp appreciation of the yen, net sales for the year totaled ¥3,706.9 billion (U.S.\$45,764 million), an increase of 15.5% from the previous year, owing to a substantial recovery in sales of laser printers among office products, continued robust sales of such consumer products as digital SLR cameras, the increase in sales within the industry and others segment, and the effects of consolidation arising from corporate acquisitions, such as that of Océ N.V. Although the strong yen had a significant impact, the gross profit ratio rose 3.6 points year on year to 48.1% mainly reflecting the launch of new products and ongoing cost-cutting efforts, along with heightened production turnover accompanying ramped-up production. As a result, gross profit rose by 24.9% to ¥1,783.1 billion (U.S.\$22,104 million) for the year. Despite the impact of consolidation, continued Group-wide efforts to thoroughly reduce spending contributed to an operating expenses to sales ratio of 37.6% for the year, an improvement of 0.1 points. Consequently, operating profit recorded growth of 78.6% to ¥387.6 billion (U.S.\$4,785 million) for the year. Other income (deductions) recorded an increase of ¥3 billion (U.S.\$37 million) due to an improvement in equity earnings of affiliated companies, leading to income before income taxes for the year of ¥392.9 billion (U.S.\$4,851 million), an increase of 79.1% year on year. Net income attributable to Canon Inc. grew by 87.3% to ¥246.6 billion (U.S.\$3,044 million) for the year.

Basic net income attributable to Canon Inc. stockholders per share for the year was ¥199.71 (U.S.\$2.47), an increase of ¥93.07 (U.S.\$1.15) compared with the previous year.

Results by Segment

Looking at Canon's quarterly performance by business sector, within the Office Business Unit, sales volume of both color and monochrome network digital MFDs increased, boosted by the recovery in demand for office equipment along with the introduction of new imageRUNNER ADVANCE-series products.

Laser printers, which suffered sluggish sales in the previous year, recorded a substantial increase in sales volume. Consequently, despite the effects of the strong appreciation of the yen, the sales for the segment totaled ¥1,987.3 billion (U.S.\$24,534 million), growing 20.8% year on year. Operating profit increased by 27.9% to ¥293.3 billion (U.S.\$3,621 million) for the year, mainly as a result of expanded sales and the rise in the gross profit ratio.

Within the Consumer Business Unit, sales volumes increased significantly for such digital SLR cameras as EOS Digital Rebel T1i (EOS 500D) and the new EOS Digital Rebel T2i (EOS 550D) the competitively priced models, along with the EOS 5D Mark II, EOS 7D and the new EOS 60D advanced-amateur models. As for compact digital cameras, the Company launched five new ELPH (IXUS)-series models and seven new PowerShot-series models, boosting sales volumes particularly in emerging markets.

With respect to inkjet printers, sales volume increased from the year-ago level, fueled by healthy sales growth, particularly in Asia. As a result, despite the strong yen, sales for the segment rose 6.9% year on year to ¥1,391.3 billion (U.S.\$17,177 million), while operating profit increased by 29.7% to ¥238.1 billion (U.S.\$2,939 million), largely reflecting increased sales and gross profit ratio.

In the Industry and Others Business Unit, in addition to an appreciable increase in sales volume of LCD lithography equipment and a rebound in sales volume of semiconductor lithography, semiconductor-related independent business sales by Group subsidiaries also grew, resulting in an increase in sales for the segment of 20.9% to ¥433.0 billion (U.S.\$5,345 million) for the year. Operating loss totaled ¥9.8 billion (U.S.\$121 million) for the year, despite a turnaround of ¥66.1 billion (U.S.\$816 million), made possible through increased sales and an improved gross profit ratio.

Cash Flow

During the year 2010, cash flows from operating activities totaled ¥744.4 billion (U.S.\$9,190 million), an increase of ¥133.2 billion (U.S.\$1,644 million) from the previous year, mainly due to the significant increase of profit. Although investments, such as for the acquisition of shares of Océ N.V., increased substantially, purchases of fixed assets decreased, which led to a year-on-year decrease in cash flows from investing activities of ¥28.1 billion (U.S.\$347 million) to ¥342.1 billion (U.S.\$4,223 million). Accordingly, free cash flows totaled ¥402.3 billion (U.S.\$4,967 million), an increase of ¥161.3 billion (U.S.\$1,991 million) from the corresponding previous year.

Cash flows from financing activities recorded an outlay of ¥279.9 billion (U.S.\$3,456 million), mainly arising from the dividend payout of ¥136.1 billion (U.S.\$1,680 million), repurchases of treasury stock, and the repayment of substantially all borrowings of Océ N.V. Consequently, cash and cash equivalents increased by ¥45.5 billion (U.S.\$562 million) to ¥840.6 billion (U.S.\$10,378 million) from the end of the previous year despite foreign currency translation adjustments stemming from the strong yen.

Non-consolidated Results

Non-consolidated net sales totaled ¥2,317.0 billion (U.S.\$28,605 million), a year-on-year increase of 14.4%, ordinary profit increased by 92.6% to ¥274.7 billion (U.S.\$3,391 million), and net income increased by 88.8% to ¥152.5 billion (U.S.\$1,883 million).

Outlook

As for the outlook in 2011, emerging nations such as China and India are expected to maintain healthy expansion. Developed countries, by comparison, while expected to be headed toward modest recovery, will face uncertainty regarding future prospects due to such factors as employment problems in the United States, financial concerns in European countries, and continued domestic deflation.

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 achieve solid growth amid increasingly intense competition. With respect to the consumer products market, demand for digital SLR cameras, compact digital cameras and inkjet printers is expected to expand, although competition is also expected to become more severe. In the industry and others market, while demand for semiconductor and LCD lithography equipment will likely increase steadily, uncertainty remains regarding the future.

With regard to currency exchange rates for the next year, 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 realized by the economic recovery, Canon anticipates exchange rates for the period of ¥85 to the U.S. dollar and ¥110 to the euro, representing appreciations of approximately ¥2 against the U.S. dollar, and approximately ¥5 against the euro compared with the previous year. Upon taking into consideration these foreign exchange rate assumptions and current economic forecasts, Canon projects full-year consolidated net sales in 2011 of ¥4,100.0 billion (U.S.\$50,617 million), a year-on-year increase of 10.6%; operating profit of ¥470.0 billion (U.S.\$5,802 million), a year-on-year increase of 21.3%; income before income taxes of ¥470.0 billion (U.S.\$5,802 million), a year-on-year increase of 19.6%; and net income attributable to Canon Inc. of ¥310.0 billion (U.S.\$3,827 million), a year-on-year increase of 25.7%.

Basic Policy Regarding Profit Distribution and Dividends for the Current Fiscal Year

Canon is being more proactive in returning profits to shareholders, mainly in the form of a dividend, taking into consideration planned future investments, free cash flow, and the Company's consolidated business performance. Specifically, the Company's medium- to long-term objective is a consolidated payout ratio of approximately 30%.

In 2010, a year viewed by Canon as the first in a new era of growth, the Company achieved its goal to significantly expand profits despite the yen's appreciation. Additionally, thanks to comprehensive cash flow management, the Company realized further improvements in management efficiency and adequate cash on hand. In light of this situation, the Company comprehensively evaluated such factors as its outlook for future performance, planned investments, and cash flow without focusing solely on the performance of this fiscal year in its decision to provide a stable return and actively return profits to shareholders. As a result, the Company plans to distribute a full-year dividend totaling ¥120.00 (U.S.\$1.48) per share (interim dividend of ¥55.00 [U.S.\$0.68] per share [already distributed], and year-end dividend of ¥65.00 [U.S.\$0.80]), an increase of ¥10.00 (U.S.\$0.12) per share compared with fiscal year 2010.

Until our performance returns to a trend of stable expansion, we will not declare numerical targets such as a targeted dividend payout ratio. Instead, we will take a more comprehensive approach taking into consideration, such factors as our outlook for medium-term profits, planned future investments and free cash flow as we works to provide a stable return and actively return profits to shareholders.

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.

II. Management Policy

(1) Basic Policy

Under the corporate philosophy of *kyosei* living and working together for the common good Canon's basic management policy is to contribute to the prosperity and well-being of the world while endeavoring to become a truly excellent global corporation targeting continued growth and development.

(2) Management Goals

Based on this basic management policy, Canon launched two consecutive five-year management plans Phase I of the Excellent Global Corporation Plan in 1996, and Phase II in 2001. Through these two management plans, we worked to thoroughly strengthen our product competitiveness and our financial base. From 2006, under a new five-year management plan Phase III, which targeted further growth and improved corporate value Canon pursued sound growth, the further expansion of corporate scale while maintaining a high level of profitability.

In 2009, however, due to the global recession triggered by the collapse of Lehman Brothers, we were forced to temporarily shift our strategic direction from expansion to establishing a muscular business constitution and enhancing corporate strength to agilely respond to changes in our business environment. After working to further expense reductions, capital-investment efficiencies and the establishment of advanced supply-chain management enabling inventory reduction, in 2010, we realized a quick recovery in performance, employing a new growth strategy, capitalizing on the turnaround to post results that outpaced the speed of the economic recovery.

In 2011, Canon embarks on a new five-year plan under the slogan Aiming for the Summit Speed & Sound Growth which aims to leverage the Company's solid management base developed during Phases I, II and III.

The global economy's engine of growth has largely shifted from developed countries to emerging countries, which is expected to lead to volatility in the business environment. Canon will take advantage of these dramatic changes and will again tackle the challenge of achieving sound growth through timely transformations tailored to the changes of the times.

In particular, the Company is focusing on the following six important management objectives.

- 1) Achieving the overwhelming No. 1 position in all core businesses and expanding related and peripheral businesses
- 2) Developing new business through globalized diversification and establishing the Three Regional Headquarters management system
- 3) Establishing a world-leading global optimized production system
- 4) Comprehensively reinforcing global sales capabilities
- 5) Building the foundations of an environmentally advanced corporation
- 6) Imparting a corporate culture, and cultivating human resources befitting a truly excellent global company

By realizing these strategies, we aim to achieve net sales of more than ¥5 trillion, an operating profit ratio of more than 20%, a net income ratio of more than 10%, and a shareholders' equity ratio of more than 75% by 2015, the final year of Phase IV. In this way, we will again aim to realize our goal of joining the ranks of the world's top 100 companies in terms of all major management indicators.

(3) Business Challenges

As for the global economy, in the U.S., despite the risk of a slowdown due to the ongoing credit crisis and high unemployment, we expect the trend toward gradual recovery to continue. In Europe, while concerns remain regarding an economic slump due to financial instability, we believe the economy will make steady progress towards recovery.

In Asia, the overall trend toward economic recovery is expected to continue, fueled by such factors as continued strong economic expansion in such countries as China and India. We believe the pattern of emerging markets, such as China and India, leading the global economy will become increasingly prominent over the near future.

As for Japan, while the economy will likely continue to realize a gradual economic rebound against the backdrop of a global economic recovery, we also expect the current trend of economic deflation to continue for the time being due to

weak domestic consumption.

- 5 -

Amid this climate, the Canon Group has launched its latest five-year plan: Phase IV of the Excellent Global Corporation Plan (2011-2015).

In order to achieve our targets, we aim to transform into a different company in terms of scale and business operations, further strengthening our imaging-related businesses and working to expand business domains by cultivating such areas as medical and industrial equipment into new business pillars. At the same time, as a manufacturer, we will make efforts to significantly transform ourselves in keeping with the changing times through the reinforcement of such basic functions as research and development, production, and sales and marketing. Specifically, we will strive to change to a situation where products developed in each region are sold globally, accelerating transition to a three regional headquarters management system, which includes R&D centers in Japan, the U.S. and Europe, as we solicit the world's great minds and innovative power.

Targeting this kind of change and transformation, we will also make active use of M&As. For this, we set up a special organization in charge of further promoting M&As, effective January 1, 2011.

At the same time, we will work to solidify our foundation as a leading environmental company that aims for both growth and environmental conservation, by further raising the environmental performance of our products and reducing the impact of all corporate activities on the environment.

In 2011, the first year of Phase IV, under the theme "Launching a Full-Scale Offensive with the Courage to Change," Canon will be taking measures to realize its basic policy of ensuring that financial results in 2012 exceed those of its record-high performance of 2007.

One important measure addresses the continuous introduction of innovative products and services. Through the timely launch of products displayed at last year's Canon EXPO, we will work to comprehensively strengthen the Company's existing core businesses. In the office equipment segment, we aim to expand our lineup by accelerating joint product development efforts with Océ N.V.. In the consumer products segment, we aim to strengthen, among other areas, digital SLR movie capabilities. In addition, in our display business, for special applications such as high-resolution, high-image-quality medical displays, as well as OLED display, we will swiftly restructure our strategy as a new way to enter this area.

Next, we will work to reinforce our global sales capabilities. In order to further improve our performance in Asia, where an increasing proportion of group sales each year is generated, in addition to further strengthening our sales organization in China, we will also further our reach into the markets of Southeast Asia and India. In developed countries, in addition to accelerating our integration with Océ N.V. and leveraging Océ N.V.'s sales network to expand product sales, we will also work to strengthen our solutions business.

Additionally, we will pursue thorough cost reductions to further lower the cost of sales ratio. In this regard, we will accelerate activities to establish an optimized global production system, finalizing our roadmap of reform for the ideal production system from a comprehensive viewpoint taking into account such aspects as logistics, procurement, labor and country risks. In addition to accelerating new product development through computer simulation and thorough cost reductions, we will also promote the further automation of production and the in-house production of manufacturing equipment. We will establish a highly efficient and advanced manufacturing business model, promoting man-machine cells that allow for further productivity improvements. An example of this can be found in our domestic production, where automation and testing equipment have been incorporated into the cell production system.

We also aim to accelerate the establishment of new core businesses through globalized diversification, based on a three regional headquarters approach focusing on bases where innovation is created. In the medical field, we will expand our product lineup with a focus on digital radiography, expand our industrial equipment business, and swiftly draw up plans to actively establish research and development functions in the U.S. and Europe.

In addition, we will thoroughly leverage the integrated systems we have in place that facilitate the sharing and utilization of product design information on a company-wide basis as we work for efficiencies in product development and further improvements in product quality.

Furthermore, with the understanding that product quality represents the lifeblood of a manufacturer, we will make further efforts towards our commitment to "quality first."

In order to realize further advancements for the Canon Group and become a truly excellent global corporation that continues to thrive and prosper, we will strive to foster global human resources that can exercise their abilities around the world. We will also devote more effort towards CSR (corporate social responsibility) activities.

- 6 -

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	Millions of yen			Thousands of U.S. dollars
	As of December 31, 2010	As of December 31, 2009	Change	As of December 31, 2010
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 840,579	¥ 795,034	¥ 45,545	\$ 10,377,519
Short-term investments	96,815	19,089	77,726	1,195,247
Trade receivables, net	557,504	556,572	932	6,882,765
Inventories	384,777	373,241	11,536	4,750,333
Prepaid expenses and other current assets	250,754	273,843	(23,089)	3,095,729
Total current assets	2,130,429	2,017,779	112,650	26,301,593
Noncurrent receivables	16,771	14,936	1,835	207,049
Investments	81,529	114,066	(32,537)	1,006,531
Property, plant and equipment, net	1,201,968	1,269,785	(67,817)	14,839,111
Intangible assets, net	153,021	117,396	35,625	1,889,148
Other assets	400,102	313,595	86,507	4,939,531
Total assets	¥3,983,820	¥ 3,847,557	¥ 136,263	\$ 49,182,963
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 7,200	¥ 4,869	¥ 2,331	\$ 88,889
Trade payables	383,251	339,113	44,138	4,731,494
Accrued income taxes	72,482	50,105	22,377	894,840
Accrued expenses	299,710	274,300	25,410	3,700,123
Other current liabilities	134,298	115,303	18,995	1,658,000
Total current liabilities	896,941	783,690	113,251	11,073,346
Long-term debt, excluding current installments	4,131	4,912	(781)	51,000
Accrued pension and severance cost	197,609	115,904	81,705	2,439,617
Other noncurrent liabilities	75,502	63,651	11,851	932,123
Total liabilities	1,174,183	968,157	206,026	14,496,086

Equity:

Canon Inc. stockholders' equity:

Common stock	174,762	174,762	-	2,157,556
Additional paid-in capital	400,425	404,293	(3,868)	4,943,518
Legal reserve	57,930	54,687	3,243	715,185
Retained earnings	2,965,237	2,871,437	93,800	36,607,864
Accumulated other comprehensive income (loss)	(390,459)	(260,818)	(129,641)	(4,820,481)
Treasury stock, at cost	(562,113)	(556,252)	(5,861)	(6,939,667)
Total Canon Inc. stockholders' equity	2,645,782	2,688,109	(42,327)	32,663,975
Noncontrolling interests	163,855	191,291	(27,436)	2,022,902
Total equity	2,809,637	2,879,400	(69,763)	34,686,877
Total liabilities and equity	¥3,983,820	¥ 3,847,557	¥ 136,263	\$ 49,182,963

Millions of yen

Thousands of
U.S. dollarsAs of
December

As of

As of

31,
2010December 31,
2009December 31,
2010

Notes:

1. Allowance for doubtful receivables	¥ 14,920	¥ 11,343	\$ 184,198
2. Accumulated depreciation	1,909,703	1,815,982	23,576,580
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(325,612)	(202,628)	(4,019,901)
Net unrealized gains and losses on securities	3,020	3,285	37,284
Net gains and losses on derivative instruments	917	71	11,321
Pension liability adjustments	(68,784)	(61,546)	(849,185)

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

<u>Results for the fourth quarter</u>	Millions of yen			Thousands of U.S. dollars
	Three months ended December 31, 2010	Three months ended December 31, 2009	Change(%)	Three months ended December 31, 2010
Net sales	¥ 1,067,866	¥ 954,058	+ 11.9	\$ 13,183,531
Cost of sales	575,620	520,267		7,106,420
Gross profit	492,246	433,791	+ 13.5	6,077,111
Operating expenses:				
Selling, general and administrative expenses	323,481	264,396		3,993,593
Research and development expenses	85,918	77,267		1,060,716
	409,399	341,663		5,054,309
Operating profit	82,847	92,128	- 10.1	1,022,802
Other income (deductions):				
Interest and dividend income	1,735	1,441		21,420
Interest expense	(771)	(95)		(9,519)
Other, net	(1,277)	4,447		(15,765)
	(313)	5,793		(3,864)
Income before income taxes	82,534	97,921	- 15.7	1,018,938
Income taxes	26,281	35,413		324,457
Consolidated net income	56,253	62,508		694,481
Less: Net income attributable to noncontrolling interests	2,294	944		28,321
Net income attributable to Canon Inc.	¥ 53,959	¥ 61,564	- 12.4	\$ 666,160

Note: Consolidated comprehensive income for the three months ended December 31, 2010 and 2009 was JPY 12,227 million (U.S.\$150,951 thousand) and JPY 74,334 million , respectively.

<u>Results for the fiscal year</u>	Millions of yen	Thousands of U.S. dollars
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	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)	Year ended December 31, 2010
Net sales	¥ 3,706,901	¥ 3,209,201	+ 15.5	\$ 45,764,210
Cost of sales	1,923,813	1,781,808		23,750,778
Gross profit	1,783,088	1,427,393	+ 24.9	22,013,432
Operating expenses:				
Selling, general and administrative expenses	1,079,719	905,738		13,329,864
Research and development expenses	315,817	304,600		3,898,975
	1,395,536	1,210,338		17,228,839
Operating profit	387,552	217,055	+ 78.6	4,784,593
Other income (deductions):				
Interest and dividend income	6,022	5,202		74,346
Interest expense	(1,931)	(336)		(23,840)
Other, net	1,220	(2,566)		15,061
	5,311	2,300		65,567
Income before income taxes	392,863	219,355	+ 79.1	4,850,160
Income taxes	140,160	84,122		1,730,370
Consolidated net income	252,703	135,233		3,119,790
Less: Net income attributable to noncontrolling interests	6,100	3,586		75,309
Net income attributable to Canon Inc.	¥ 246,603	¥ 131,647	+ 87.3	\$ 3,044,481

Note: Consolidated comprehensive income for the year ended December 31, 2010 and 2009 was JPY 117,079 million (U.S.\$1,445,420 thousand) and JPY 168,452 million , respectively.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

<u>Results for the fourth quarter</u>	Millions of yen			Thousands of U.S. dollars
	Three months ended December 31, 2010	Three months ended December 31, 2009	Change(%)	Three months ended December 31, 2010
Sales by business unit				
Office	¥ 549,277	¥ 465,131	+ 18.1	\$ 6,781,198
Consumer	412,240	412,729	- 0.1	5,089,383
Industry and Others	131,926	103,318	+ 27.7	1,628,716
Eliminations	(25,577)	(27,120)	-	(315,766)
Total	¥1,067,866	¥ 954,058	+ 11.9	\$ 13,183,531

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended December 31, 2010	Three months ended December 31, 2009	Change(%)	Three months ended December 31, 2010
Japan	¥ 198,169	¥ 197,599	+ 0.3	\$ 2,446,531
Overseas:				
<i>Americas</i>	302,110	274,782	+ 9.9	3,729,753
<i>Europe</i>	342,815	308,523	+ 11.1	4,232,284
<i>Asia and Oceania</i>	224,772	173,154	+ 29.8	2,774,963
	869,697	756,459	+ 15.0	10,737,000
Total	¥1,067,866	¥ 954,058	+ 11.9	\$ 13,183,531

<u>Results for the fiscal year</u>	Millions of yen			Thousands of U.S. dollars
	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)	Year ended December 31, 2010
Sales by business unit				
Office	¥1,987,269	¥ 1,645,076	+ 20.8	\$ 24,534,185
Consumer	1,391,327	1,301,160	+ 6.9	17,176,877
Industry and Others	432,958	357,998	+ 20.9	5,345,160
Eliminations	(104,653)	(95,033)	-	(1,292,012)
Total	¥3,706,901	¥ 3,209,201	+ 15.5	\$ 45,764,210

Sales by region	Millions of yen			Thousands of U.S. dollars
	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)	Year ended December 31, 2010
Japan	¥ 695,749	¥ 702,344	- 0.9	\$ 8,589,494
Overseas:				
Americas	1,023,299	894,154	+ 14.4	12,633,321
Europe	1,172,474	995,150	+ 17.8	14,474,988
Asia and Oceania	815,379	617,553	+ 32.0	10,066,407
	3,011,152	2,506,857	+ 20.1	37,174,716
Total	¥ 3,706,901	¥ 3,209,201	+ 15.5	\$ 45,764,210

- 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 Printer
 - Consumer : Digital SLR cameras / Compact digital cameras / Interchangeable lenses / Digital video camcorders / Inkjet multifunction peripherals / Single function inkjet printers / Image scanners / Broadcasting equipment
 - Industry and Others : Semiconductor lithography equipment / LCD lithography equipment / Medical image recording equipment / Magnetic heads / Micromotors / Computers / Handy terminals / Document scanners / Calculators / Ophthalmic products
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, Australia, Asian countries

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF EQUITY

Millions of yen

	Common Stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Canon Inc. stockholders equity
2008	¥ 174,762	¥ 403,790	¥ 53,706	¥ 2,876,576	¥ (292,820)	¥ (556,222)	¥ 2,659,792
Noncontrolling interests and other non-affiliated stockholders		503		(135,793)			503 (135,793)
Noncontrolling interests			981	(981)			-
Income (loss), net of tax and adjustments				131,647			131,647
Losses on securities					33,340		33,340
Losses on derivative instruments					2,150		2,150
Other					(1,422)		(1,422)
					(2,066)		(2,066)
							163,649
Income (loss), net				(12)		(30)	(42)
2009	¥ 174,762	¥ 404,293	¥ 54,687	¥ 2,871,437	¥ (260,818)	¥ (556,252)	¥ 2,688,109
Noncontrolling interests and non-affiliated stockholders		(3,787)		(13,453)	(680)	55,250	37,330 (136,103)
Noncontrolling interests			3,243	(3,243)			-
Income (loss), net of tax and adjustments				246,603			246,603
Losses on securities					(122,667)		(122,667)
Losses on derivative instruments					(222)		(222)
					833		833

ts					(6,905)		(6,905)
ne(loss)							117,642
ck, net		(81)		(4)		(61,111)	(61,196)
010	¥ 174,762	¥ 400,425	¥ 57,930	¥ 2,965,237	¥ (390,459)	¥ (562,113)	¥ 2,645,782
009	\$ 2,157,556	\$ 4,991,272	\$ 675,148	\$ 35,449,840	\$ (3,219,975)	\$ (6,867,310)	\$ 33,186,531
noncontrolling interests and							
nc. stockholders		(46,754)		(166,087)	(8,395)	682,100	460,864
rolling interests				(1,680,284)			(1,680,284)
			40,037	(40,037)			-
				3,044,481			3,044,481
ne (loss), net of tax							
on adjustments					(1,514,407)		(1,514,407)
osses on securities					(2,741)		(2,741)
ivative instruments					10,284		10,284
ts					(85,247)		(85,247)
ne(loss)							1,452,370
ck, net		(1,000)		(49)		(754,457)	(755,506)
010	\$ 2,157,556	\$ 4,943,518	\$ 715,185	\$ 36,607,864	\$ (4,820,481)	\$ (6,939,667)	\$ 32,663,975

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2010
Cash flows from operating activities:			
Consolidated net income	¥ 252,703	¥ 135,233	\$ 3,119,790
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	276,193	315,393	3,409,790
Loss on disposal of property, plant and equipment	21,120	8,215	260,741
Deferred income taxes	29,381	20,712	362,728
(Increase) decrease in trade receivables	(6,671)	48,244	(82,358)
(Increase) decrease in inventories	(17,532)	143,580	(216,444)
Increase (decrease) in trade payables	115,726	(76,843)	1,428,716
Increase (decrease) in accrued income taxes	25,228	(21,023)	311,457
Increase (decrease) in accrued expenses	77	(9,827)	951
Increase in accrued (prepaid) pension and severance cost	4,147	4,765	51,198
Other, net	44,041	42,786	543,715
Net cash provided by operating activities	744,413	611,235	9,190,284
Cash flows from investing activities:			
Purchases of fixed assets	(199,152)	(327,983)	(2,458,667)
Proceeds from sale of fixed assets	3,303	8,893	40,778
Purchases of available-for-sale securities	(10,891)	(3,253)	(134,457)
Proceeds from sale and maturity of available-for-sale securities	3,910	2,460	48,272
Increase in time deposits, net	(80,904)	(11,345)	(998,815)
Acquisitions of subsidiaries, net of cash acquired	(55,686)	(2,979)	(687,481)
Purchases of other investments	(1,955)	(37,981)	(24,136)
Other, net	(758)	1,944	(9,358)
Net cash used in investing activities	(342,133)	(370,244)	(4,223,864)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	5,902	3,361	72,864
Repayments of long-term debt	(5,739)	(6,282)	(70,852)
Decrease in short-term loans, net	(74,933)	(280)	(925,099)
Dividends paid	(136,103)	(135,793)	(1,680,284)
Repurchases of treasury stock, net	(61,196)	(42)	(755,506)
Other, net	(7,828)	(3,343)	(96,642)
Net cash used in financing activities	(279,897)	(142,379)	(3,455,519)

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Effect of exchange rate changes on cash and cash equivalents	(76,838)	17,226	(948,617)
Net change in cash and cash equivalents	45,545	115,838	562,284
Cash and cash equivalents at beginning of year	795,034	679,196	9,815,235
Cash and cash equivalents at end of year	¥ 840,579	¥ 795,034	\$ 10,377,519

- 11 -

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

<u>Results for the fourth quarter</u>	Millions of yen			Thousands of U.S. dollars	
	Three months ended December 31, 2010	Three months ended December 31, 2009	Change(%)	Three months ended December 31, 2010	
Office					
Net sales:					
External customers	¥ 547,319	¥ 462,149	+ 18.4	\$ 6,757,025	
Intersegment	1,958	2,982	- 34.3	24,173	
Total	549,277	465,131	+ 18.1	6,781,198	
Operating cost and expenses	488,126	384,517	+ 26.9	6,026,247	
Operating profit	¥ 61,151	¥ 80,614	- 24.1	\$ 754,951	
Consumer					
Net sales:					
External customers	¥ 411,881	¥ 412,087	- 0.0	\$ 5,084,951	
Intersegment	359	642	- 44.1	4,432	
Total	412,240	412,729	- 0.1	5,089,383	
Operating cost and expenses	347,218	337,586	+ 2.9	4,286,642	
Operating profit	¥ 65,022	¥ 75,143	- 13.5	\$ 802,741	
Industry and Others					
Net sales:					
External customers	¥ 108,666	¥ 79,822	+ 36.1	\$ 1,341,555	
Intersegment	23,260	23,496	- 1.0	287,161	
Total	131,926	103,318	+ 27.7	1,628,716	
Operating cost and expenses	137,770	138,278	- 0.4	1,700,864	

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Operating profit (loss)	¥ (5,844)	¥ (34,960)	-	\$ (72,148)
Corporate and Eliminations				
Net sales:				
External customers	¥ -	¥ -	-	\$ -
Intersegment	(25,577)	(27,120)	-	(315,766)
Total	(25,577)	(27,120)	-	(315,766)
Operating cost and expenses	11,905	1,549	-	146,976
Operating profit (loss)	¥ (37,482)	¥ (28,669)	-	\$ (462,742)
Consolidated				
Net sales:				
External customers	¥ 1,067,866	¥ 954,058	+ 11.9	\$ 13,183,531
Intersegment	-	-	-	-
Total	1,067,866	954,058	+ 11.9	13,183,531
Operating cost and expenses	985,019	861,930	+ 14.3	12,160,729
Operating profit	¥ 82,847	¥ 92,128	- 10.1	\$ 1,022,802

- 12 -

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year	Millions of yen			Thousands of U.S. dollars	
	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)	Year ended December 31, 2010	
Office					
Net sales:					
External customers	¥1,978,945	¥ 1,635,056	+ 21.0	\$ 24,431,420	
Intersegment	8,324	10,020	- 16.9	102,765	
Total	1,987,269	1,645,076	+ 20.8	24,534,185	
Operating cost and expenses	1,693,947	1,415,680	+ 19.7	20,912,926	
Operating profit	293,322	229,396	+ 27.9	3,621,259	
Total assets	855,893	745,646	+ 14.8	10,566,580	
Depreciation and amortization	103,548	90,878	+ 13.9	1,278,370	
Capital expenditures	¥ 53,115	¥ 96,718	- 45.1	\$ 655,741	
Consumer					
Net sales:					
External customers	¥1,389,622	¥ 1,299,194	+ 7.0	\$ 17,155,827	
Intersegment	1,705	1,966	- 13.3	21,050	
Total	1,391,327	1,301,160	+ 6.9	17,176,877	
Operating cost and expenses	1,153,262	1,117,668	+ 3.2	14,237,803	
Operating profit	238,065	183,492	+ 29.7	2,939,074	
Total assets	414,022	437,160	- 5.3	5,111,383	
Depreciation and amortization	41,665	48,701	- 14.4	514,383	
Capital expenditures	¥ 36,266	¥ 27,503	+ 31.9	\$ 447,728	
Industry and Others					
Net sales:					
External customers	¥ 338,334	¥ 274,951	+ 23.1	\$ 4,176,963	
Intersegment	94,624	83,047	+ 13.9	1,168,197	

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Total	432,958	357,998	+	20.9	5,345,160
Operating cost and expenses	442,789	433,954	+	2.0	5,466,530
Operating profit (loss)	(9,831)	(75,956)	-		(121,370)
Total assets	307,029	359,635	-	14.6	3,790,481
Depreciation and amortization	37,387	60,770	-	38.5	461,568
Capital expenditures	¥ 27,105	¥ 25,644	+	5.7	\$ 334,630

Corporate and Eliminations

Net sales:					
External customers	¥ -	¥ -	-		\$ -
Intersegment	(104,653)	(95,033)	-		(1,292,012)
Total	(104,653)	(95,033)	-		(1,292,012)
Operating cost and expenses	29,351	24,844	-		362,358
Operating profit (loss)	(134,004)	(119,877)	-		(1,654,370)
Total assets	2,406,876	2,305,116	+	4.4	29,714,519
Depreciation and amortization	93,593	115,044	-	18.6	1,155,469
Capital expenditures	¥ 77,061	¥ 108,387	-	28.9	\$ 951,370

Consolidated

Net sales:					
External customers	¥ 3,706,901	¥ 3,209,201	+	15.5	\$ 45,764,210
Intersegment	-	-	-		-
Total	3,706,901	3,209,201	+	15.5	45,764,210
Operating cost and expenses	3,319,349	2,992,146	+	10.9	40,979,617
Operating profit	387,552	217,055	+	78.6	4,784,593
Total assets	3,983,820	3,847,557	+	3.5	49,182,963
Depreciation and amortization	276,193	315,393	-	12.4	3,409,790
Capital expenditures	¥ 193,547	¥ 258,252	-	25.1	\$ 2,389,469

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

	Millions of yen			Thousands of U.S. dollars	
	Three months ended December 31, 2010	Three months ended December 31, 2009	Change(%)	Three months ended December 31, 2010	
<u>Results for the fourth quarter</u>					
Japan					
Net sales:					
External customers	¥ 249,834	¥ 227,939	+ 9.6	\$ 3,084,370	
Intersegment	517,387	539,255	- 4.1	6,387,494	
Total	767,221	767,194	+ 0.0	9,471,864	
Operating cost and expenses	654,934	667,146	- 1.8	8,085,605	
Operating profit	¥ 112,287	¥ 100,048	+ 12.2	\$ 1,386,259	
Americas					
Net sales:					
External customers	¥ 296,872	¥ 268,797	+ 10.4	\$ 3,665,086	
Intersegment	2,841	392	+ 624.7	35,074	
Total	299,713	269,189	+ 11.3	3,700,160	
Operating cost and expenses	294,476	263,571	+ 11.7	3,635,506	
Operating profit	¥ 5,237	¥ 5,618	- 6.8	\$ 64,654	
Europe					
Net sales:					
External customers	¥ 339,566	¥ 306,949	+ 10.6	\$ 4,192,173	
Intersegment	839	(1,313)	-	10,358	
Total	340,405	305,636	+ 11.4	4,202,531	
Operating cost and expenses	332,306	298,750	+ 11.2	4,102,543	
Operating profit	¥ 8,099	¥ 6,886	+ 17.6	\$ 99,988	
Asia and Oceania					

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Net sales:					
External customers	¥ 181,594	¥ 150,373	+	20.8	\$ 2,241,902
Intersegment	194,786	165,586	+	17.6	2,404,765
Total	376,380	315,959	+	19.1	4,646,667
Operating cost and expenses	368,997	309,860	+	19.1	4,555,519
Operating profit	¥ 7,383	¥ 6,099	+	21.1	\$ 91,148
Corporate and Eliminations					
Net sales:					
External customers	¥ -	¥ -	-	-	\$ -
Intersegment	(715,853)	(703,920)	-	-	(8,837,691)
Total	(715,853)	(703,920)	-	-	(8,837,691)
Operating cost and expenses	(665,694)	(677,397)	-	-	(8,218,444)
Operating profit (loss)	¥ (50,159)	¥ (26,523)	-	-	\$ (619,247)
Consolidated					
Net sales:					
External customers	¥ 1,067,866	¥ 954,058	+	11.9	\$ 13,183,531
Intersegment	-	-	-	-	-
Total	1,067,866	954,058	+	11.9	13,183,531
Operating cost and expenses	985,019	861,930	+	14.3	12,160,729
Operating profit	¥ 82,847	¥ 92,128	-	10.1	\$ 1,022,802

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the fiscal year

	Millions of yen			Change(%)	Thousands of U.S. dollars
	Year ended December 31, 2010	Year ended December 31, 2009			Year ended December 31, 2010
Japan					
Net sales:					
External customers	¥ 854,208	¥ 827,762	+	3.2	\$ 10,545,778
Intersegment	1,974,591	1,714,375	+	15.2	24,377,666
Total	2,828,799	2,542,137	+	11.3	34,923,444
Operating cost and expenses	2,398,439	2,288,471	+	4.8	29,610,358
Operating profit	430,360	253,666	+	69.7	5,313,086
Total assets	¥ 1,321,572	¥ 1,386,511	-	4.7	\$ 16,315,704
Americas					
Net sales:					
External customers	¥ 1,008,200	¥ 871,633	+	15.7	\$ 12,446,914
Intersegment	7,975	1,263	+	531.4	98,456
Total	1,016,175	872,896	+	16.4	12,545,370
Operating cost and expenses	993,310	860,863	+	15.4	12,263,086
Operating profit	22,865	12,033	+	90.0	282,284
Total assets	¥ 251,587	¥ 198,094	+	27.0	\$ 3,106,012
Europe					
Net sales:					
External customers	¥ 1,163,452	¥ 991,336	+	17.4	\$ 14,363,605
Intersegment	3,489	919	+	279.7	43,074
Total	1,166,941	992,255	+	17.6	14,406,679
Operating cost and expenses	1,126,521	964,606	+	16.8	13,907,667
Operating profit	40,420	27,649	+	46.2	499,012
Total assets	¥ 472,785	¥ 378,477	+	24.9	\$ 5,836,852

Asia and Oceania

Net sales:

External customers	¥ 681,041	¥ 518,470	+	31.4	\$ 8,407,913
Intersegment	723,423	534,147	+	35.4	8,931,149
Total	1,404,464	1,052,617	+	33.4	17,339,062
Operating cost and expenses	1,357,663	1,019,208	+	33.2	16,761,272
Operating profit	46,801	33,409	+	40.1	577,790
Total assets	¥ 421,250	¥ 384,795	+	9.5	\$ 5,200,617

Corporate and Eliminations

Net sales:

External customers	¥ -	¥ -	-	-	\$ -
Intersegment	(2,709,478)	(2,250,704)	-	-	(33,450,345)
Total	(2,709,478)	(2,250,704)	-	-	(33,450,345)
Operating cost and expenses	(2,556,584)	(2,141,002)	-	-	(31,562,766)
Operating profit (loss)	(152,894)	(109,702)	-	-	(1,887,579)
Total assets	¥ 1,516,626	¥ 1,499,680	+	1.1	\$ 18,723,778

Consolidated

Net sales:

External customers	¥ 3,706,901	¥ 3,209,201	+	15.5	\$ 45,764,210
Intersegment	-	-	-	-	-
Total	3,706,901	3,209,201	+	15.5	45,764,210
Operating cost and expenses	3,319,349	2,992,146	+	10.9	40,979,617
Operating profit	387,552	217,055	+	78.6	4,784,593
Total assets	¥ 3,983,820	¥ 3,847,557	+	3.5	\$ 49,182,963

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

	December 31, 2010	December 31, 2009	Change
Subsidiaries	294	241	+53
Affiliates	14	15	(1)
Total	308	256	+52

2. Change in Group Entities

Subsidiaries

Addition: 86 companies

Removal: 33 companies

Affiliates (Carried at Equity Basis)

Addition: 3 companies

Removal: 4 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.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) NET INCOME ATTRIBUTABLE TO CANON INC. STOCKHOLDERS PER SHARE

Results for the fiscal year	Millions of yen		Thousands of U.S. dollars
	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2010
Net income attributable to Canon Inc.			
-Basic	¥ 246,603	¥ 131,647	\$ 3,044,481
-Diluted	246,603	131,647	3,044,481

Number of shares

Average common shares outstanding		
-Basic	1,234,817,511	1,234,481,836
-Diluted	1,234,868,114	1,234,481,836

Yen

U.S. dollars

Net income attributable to Canon Inc. stockholders per share:			
-Basic	¥ 199.71	¥ 106.64	\$ 2.47
-Diluted	199.70	106.64	2.47

(2) FINANCE RECEIVABLES AND OPERATING LEASES, ACQUISITIONS, MARKETABLE SECURITIES, DEFERRED TAX ACCOUNTING, EMPLOYEE RETIREMENT AND SEVERANCE BENEFITS, STOCK OPTIONS, DERIVATIVE CONTRACTS AND OTHERS

The disclosure is omitted as it is not considered significant in this report.

(3) SUBSEQUENT EVENT

There is no significant subsequent event.

CANON INC.

NON-CONSOLIDATED

10. NON-CONSOLIDATED BALANCE SHEETS**(Parent company only)**

	As of December 31, 2010	Millions of yen As of December 31, 2009	Change
ASSETS			
Current assets:			
Cash	¥ 56,923	¥ 6,855	¥ 50,068
Trade receivables	636,098	649,594	(13,496)
Marketable securities	135,290	92,740	42,550
Inventories	117,306	147,938	(30,632)
Prepaid expenses and other current assets	229,757	215,657	14,100
Allowance for doubtful receivables	-	(1)	1
Total current assets	1,175,374	1,112,783	62,591
Fixed assets:			
Net property, plant and equipment	784,520	862,901	(78,381)
Intangibles	36,191	32,444	3,747
Investments and other fixed assets	607,398	543,027	64,371
Allowance for doubtful receivables-noncurrent	(54)	(55)	1
Total fixed assets	1,428,055	1,438,317	(10,262)
Total assets	¥ 2,603,429	¥ 2,551,100	¥ 52,329
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade payables	¥ 334,299	¥ 332,219	¥ 2,080
Short-term loans	260,662	226,749	33,913
Accrued income taxes	41,027	27,639	13,388
Accrued warranty expenses	3,404	3,043	361
Accrued bonuses for employees	4,594	4,129	465
Accrued bonuses for directors	218	127	91
Other current liabilities	101,502	105,774	(4,272)
Total current liabilities	745,706	699,680	46,026
Noncurrent liabilities:			
Accrued pension and severance cost	36,701	34,524	2,177
Accrued directors' retirement benefits	1,572	1,786	(214)
Reserve for environmental provision	6,141	1,170	4,971
Accrued long service rewards for employees	1,399	1,176	223

Other noncurrent liabilities	9	46	(37)
Total noncurrent liabilities	45,822	38,702	7,120
Total liabilities	791,528	738,382	53,146
Net assets:			
Stockholders' equity	1,807,975	1,810,900	(2,925)
Valuation and translation adjustments	2,485	1,008	1,477
Subscription right to shares	1,441	810	631
Total net assets	1,811,901	1,812,718	(817)
Total liabilities and net assets	¥ 2,603,429	¥ 2,551,100	¥ 52,329

Notes:

	As of December 31, 2010	As of December 31, 2009
1. Accumulated depreciation	¥ 1,196,703	¥ 1,122,921
Accumulated impairment loss	¥ 20,019	¥ 21,606
2. Cautionary obligation and other Cautionary obligation contract	¥ 13,818	¥ 16,256

CANON INC.

NON-CONSOLIDATED

11. NON-CONSOLIDATED STATEMENTS OF INCOME

(Parent company only)

	Millions of yen		
	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)
Net sales	¥ 2,317,043	¥ 2,025,546	+ 14.4
Cost of sales	1,602,918	1,471,056	
Gross profit	714,125	554,490	+ 28.8
Selling, general and administrative expenses	473,760	456,713	
Operating profit	240,365	97,777	+ 145.8
Other income (deductions):			
Interest and dividend income	21,227	16,314	
Interest expense	(2,811)	(3,916)	
Other, net	15,961	32,509	
	34,377	44,907	
Ordinary profit	274,742	142,684	+ 92.6
Non-ordinary gain (loss), net	(41,539)	(20,396)	
Income before income taxes	233,203	122,288	+ 90.7
Income taxes	80,705	41,510	
Net income	¥ 152,498	¥ 80,778	+ 88.8

12. DETAILS OF SALES

(Parent company only)

	Millions of yen		
Sales by product	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)
Office	¥ 1,185,103	¥ 1,021,285	+ 16.0
Consumer	1,024,674	950,554	+ 7.8
Industrial and others	107,266	53,707	+ 99.7
Total	¥ 2,317,043	¥ 2,025,546	+ 14.4

Millions of yen

Sales by region

	Year ended December 31, 2010	Year ended December 31, 2009	Change(%)
Japan	¥ 283,291	¥ 276,385	+ 2.5
Overseas:			
<i>Americas</i>	703,622	645,174	+ 9.1
<i>Europe</i>	745,208	677,162	+ 10.0
<i>Asia and Oceania</i>	584,922	426,825	+ 37.0
	2,033,752	1,749,161	+ 16.3
Total	¥ 2,317,043	¥ 2,025,546	+ 14.4

- 19 -

CANON INC.

NON-CONSOLIDATED

13. NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Parent company only)

ended December 31, 2010

(Millions of dollars)

	Stockholders' equity								Valuation and translation adjustments			
	Capital surplus		Retained earnings					Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on securities	Net deferred profits (losses) on hedges	Subscription rights to shares
	Common stock	Additional paid-in capital	Other capital surplus	Legal reserve	Reserve for special depreciation on property	Reserve for deferral of capital gain	Special reserves					
As of December 31, 2010	¥ 174,762	¥ 306,288	¥ 22,114	¥ 1,566	¥ 2,701	¥ 1,249,928	¥ 609,793	¥ (556,252)	¥ 1,810,900	¥ 1,384	¥ (376)	¥ 810
Change during the period				83			(83)		-			
Change during the period				(853)			853		-			
Change during the period					304		(304)		0			
Change during the period					(92)		92		0			
Change during the period							(136,103)		(136,103)			
Change during the period							152,498		152,498			

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of								(61,436)	(61,436)				
stock													
of								(6)	18	12			
stock													
by								(13,453)	55,557	42,104			
s													
ge of													
er													
ers													
nges													
n													
s of													
r 31,	¥ 174,762	¥ 306,288	-¥ 22,114	¥ 796	¥ 2,913	¥ 1,249,928	¥ 613,287	¥ (562,113)	¥ 1,807,975	¥ 1,358	¥ 1,127	¥ 1,441	¥ 1

Notes:

1.Number of issued shares as of December 31, 2010 1,333,763,464

2.Classes and number of treasury stock

(Shares)

Classes of stock	Balance as of December 31, 2009	Increase	Decrease	Balance as of December 31, 2010
common stock	99,288,001	16,012,063	10,004,089	105,295,975

3.Payment for dividends

Decision	Classes of stock	Cash dividend (Millions of yen)	Dividend per share (yen)	Base date	Effective date
March 30, 2010 Annual meeting of stockholders	common stock	67,896	55.00	December 31, 2009	March 31, 2010
July 27, 2010 Board of directors meeting	common stock	68,206	55.00	June 30, 2010	August 27, 2010

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Scheduled	Classes of stock	Cash dividend (Millions of yen)	A source of dividend	Dividend per share (yen)	Base date	Effective date
March 30, 2011 Annual meeting of stockholders	common stock	79,850	Retained earnings	65.00	December 31, 2010	March 31, 2011

- 20 -

CANON INC.

NON-CONSOLIDATED

December 31, 2009

(Mil)

Stockholders equity										Valuation and translation adjustments		
Retained earnings										Net unrealized gains (losses) on securities		
Other retained earnings										Net unrealized gains (losses) on securities		
Reserve for depreciation on property										Net unrealized gains (losses) on securities		
Special reserves										Net unrealized gains (losses) on securities		
Retained earnings										Net unrealized gains (losses) on securities		
Treasury stock										Net unrealized gains (losses) on securities		
Total stockholders equity										Net unrealized gains (losses) on securities		
Subscription rights to shares										Net unrealized gains (losses) on securities		
Deferred profits on hedges										Net unrealized gains (losses) on securities		
Net unrealized gains (losses) on securities										Net unrealized gains (losses) on securities		
Common stock	Additional paid-in capital	Other capital surplus	Legal reserve	Reserve for special depreciation on property	Reserve for capital gain	Special reserves	Retained earnings	Treasury stock	Total stockholders equity	Net unrealized gains (losses) on securities	Deferred profits on hedges	Subscription rights to shares
¥ 174,762	¥ 306,288	¥ 22,114	¥ 4,664	¥ 2,578	¥ 1,249,928	¥ 661,843	¥ (556,222)	¥ 1,865,955	¥ (1,048)	¥ (148)	¥ 246	
			146			(146)						
			(3,244)			3,244						
					199	(199)			0			
					(76)	76			0			
							(135,793)		(135,793)			
							80,778		80,778			
								(51)	(51)			

							(10)	21	11			
										0	2,432	(228) 564
	-	-	-	(3,098)	123	-	(52,050)	(30)	(55,055)	2,432	(228)	564
31,	¥174,762	¥306,288	-¥22,114	¥1,566	¥2,701	¥1,249,928	¥609,793	¥(556,252)	¥1,810,900	¥1,384	¥(376)	¥810

Notes:

1. Number of issued shares as of December 31, 2009 1,333,763,464
2. Classes and number of treasury stock

					(Shares)
Classes of stock	Balance as of December 31, 2008	Increase	Decrease	Balance as of December 31, 2009	
common stock	99,275,245	16,518	3,762	99,288,001	

3. Payment for dividends

Decision	Classes of stock	Cash dividend (Millions of yen)	Dividend per share (yen)	Base date	Effective date
March 27, 2009 Annual meeting of stockholders	common stock	67,897	55.00	December 31, 2008	March 30, 2009
July 28, 2009 Board of directors meeting	common stock	67,896	55.00	June 30, 2009	August 28, 2009

CANON INC.

NON-CONSOLIDATED

14. NOTE FOR GOING CONCERN ASSUMPTION

(Parent company only)

Not applicable.

- 22 -

NON-CONSOLIDATED

Directors

(Current titles are shown in the parentheses)

(1) Candidate for new Representative Director

Representative Director & Executive Vice President	Toshiaki Ikoma	(Executive Vice President, Group Executive of Corporate R&D Headquarters)
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(2) Candidates for Director to be promoted

Senior Managing Director	Shigeyuki Matsumoto	(Managing Director, Group Executive of Device Technology Development Headquarters)
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(3) Candidates for new Directors to be appointed

Yasuhiro Tani	(Executive Officer, Group Executive of Digital Platform Technology Development Headquarters)
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Makoto Araki	(Executive Officer, Group Executive of Information & Communication Systems Headquarters)
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Executive Officers

(1) Candidates for new Executive Officers

Akiyoshi Kimura	(Group Executive of OIP Production System Group)
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Kazuto Ogawa	(President of Canon Canada Inc.)
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Naoji Otsuka	(Group Executive of Inkjet Products Development Group)
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Kenji Kobayashi	(President of Canon Australia Pty Ltd.)
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Ryuichi Ebinuma	(Group Executive of Core Technology Development Group)
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- 23 -

Canon Inc.
January 27, 2011

CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER
AND THE FISCAL YEAR ENDED DECEMBER 31, 2010
SUPPLEMENTARY REPORT
TABLE OF CONTENTS

	PAGE
1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2010)	S 1
2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2011/Projection)	S 2
3. SEGMENT INFORMATION BY PRODUCT (2010)	S 3
4. OTHER INCOME / DEDUCTIONS (2010)	S 3
5. SEGMENT INFORMATION BY PRODUCT (2011/Projection)	S 4
6. OTHER INCOME / DEDUCTIONS (2011/Projection)	S 4
7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT	S 5
8. SALES GROWTH IN LOCAL CURRENCY	S 5
9. PROFITABILITY	S 6
10. IMPACT OF FOREIGN EXCHANGE RATES	S 6
11. STATEMENTS OF CASH FLOWS	S 6
12. R&D EXPENDITURE	S 7
13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION	S 7
14. INVENTORIES	S 7
15. DEBT RATIO	S 7
16. OVERSEAS PRODUCTION RATIO	S 7
17. NUMBER OF EMPLOYEES	S 7

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2010) (Millions of yen)

	2010		2009		Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
Japan						
Office	96,233	376,928	92,303	374,275	+4.3%	+0.7%
Consumer	70,798	216,509	69,731	219,036	+1.5%	-1.2%
Industry and Others	31,138	102,312	35,565	109,033	-12.4%	-6.2%
Total	198,169	695,749	197,599	702,344	+0.3%	-0.9%
Overseas						
Office	451,086	1,602,017	369,846	1,260,781	+22.0%	+27.1%
Consumer	341,083	1,173,113	342,356	1,080,158	-0.4%	+8.6%
Industry and Others	77,528	236,022	44,257	165,918	+75.2%	+42.3%
Total	869,697	3,011,152	756,459	2,506,857	+15.0%	+20.1%
Americas						
Office	169,823	601,090	138,949	485,180	+22.2%	+23.9%
Consumer	118,812	379,522	125,209	367,035	-5.1%	+3.4%
Industry and Others	13,475	42,687	10,624	41,939	+26.8%	+1.8%
Total	302,110	1,023,299	274,782	894,154	+9.9%	+14.4%
Europe						
Office	208,654	733,216	168,917	565,656	+23.5%	+29.6%
Consumer	123,921	407,994	132,398	405,173	-6.4%	+0.7%
Industry and Others	10,240	31,264	7,208	24,321	+42.1%	+28.5%
Total	342,815	1,172,474	308,523	995,150	+11.1%	+17.8%

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Asia and Oceania Office	72,609	267,711	61,980	209,945	+17.1%	+27.5%
Consumer	98,350	385,597	84,749	307,950	+16.0%	+25.2%
Industry and Others	53,813	162,071	26,425	99,658	+103.6%	+62.6%
Total	224,772	815,379	173,154	617,553	+29.8%	+32.0%
Intersegment Office	1,958	8,324	2,982	10,020	-34.3%	-16.9%
Consumer	359	1,705	642	1,966	-44.1%	-13.3%
Industry and Others	23,260	94,624	23,496	83,047	-1.0%	+13.9%
Eliminations	(25,577)	(104,653)	(27,120)	(95,033)	-	-
Total	0	0	0	0	-	-
Total Office	549,277	1,987,269	465,131	1,645,076	+18.1%	+20.8%
Consumer	412,240	1,391,327	412,729	1,301,160	-0.1%	+6.9%
Industry and Others	131,926	432,958	103,318	357,998	+27.7%	+20.9%
Eliminations	(25,577)	(104,653)	(27,120)	(95,033)	-	-
Total	1,067,866	3,706,901	954,058	3,209,201	+11.9%	+15.5%

- S1 -

2. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT (2011/Projection)

(1) Sales by business unit	(Millions of yen)		
	2011 (P) Year	2010 Year	Change year over year Year
Office	2,180,000	1,987,269	+9.7%
Consumer	1,535,000	1,391,327	+10.3%
Industry and Others	465,000	432,958	+7.4%
Eliminations	(80,000)	(104,653)	-
Total	4,100,000	3,706,901	+10.6%

(P)=Projection

(2) Sales by region	(Millions of yen)		
	2011 (P) Year	2010 Year	Change year over year Year
Japan	737,700	695,749	+6.0%
Overseas	3,362,300	3,011,152	+11.7%
Americas	1,074,400	1,023,299	+5.0%
Europe	1,278,100	1,172,474	+9.0%
Asia and Oceania	1,009,800	815,379	+23.8%
Total	4,100,000	3,706,901	+10.6%

(P)=Projection

- S2 -

3. SEGMENT INFORMATION BY PRODUCT (2010)

(Millions of yen)

	2010		2009		Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
Office						
External customers	547,319	1,978,945	462,149	1,635,056	+18.4%	+21.0%
Intersegment	1,958	8,324	2,982	10,020	-34.3%	-16.9%
Total sales	549,277	1,987,269	465,131	1,645,076	+18.1%	+20.8%
Operating profit	61,151	293,322	80,614	229,396	-24.1%	+27.9%
% of sales	11.1%	14.8%	17.3%	13.9%	-	-
Consumer						
External customers	411,881	1,389,622	412,087	1,299,194	-0.0%	+7.0%
Intersegment	359	1,705	642	1,966	-44.1%	-13.3%
Total sales	412,240	1,391,327	412,729	1,301,160	-0.1%	+6.9%
Operating profit	65,022	238,065	75,143	183,492	-13.5%	+29.7%
% of sales	15.8%	17.1%	18.2%	14.1%	-	-
Industry and Others						
External customers	108,666	338,334	79,822	274,951	+36.1%	+23.1%
Intersegment	23,260	94,624	23,496	83,047	-1.0%	+13.9%
Total sales	131,926	432,958	103,318	357,998	+27.7%	+20.9%
Operating profit	(5,844)	(9,831)	(34,960)	(75,956)	-	-
% of sales	-4.4%	-2.3%	-33.8%	-21.2%	-	-
Corporate and Eliminations						
External customers	-	-	-	-	-	-
Intersegment	(25,577)	(104,653)	(27,120)	(95,033)	-	-

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Total sales	(25,577)	(104,653)	(27,120)	(95,033)	-	-
Operating profit	(37,482)	(134,004)	(28,669)	(119,877)	-	-
Consolidated						
External customers	1,067,866	3,706,901	954,058	3,209,201	+11.9%	+15.5%
Intersegment	-	-	-	-	-	-
Total sales	1,067,866	3,706,901	954,058	3,209,201	+11.9%	+15.5%
Operating profit	82,847	387,552	92,128	217,055	-10.1%	+78.6%
% of sales	7.8%	10.5%	9.7%	6.8%	-	-

4. OTHER INCOME / DEDUCTIONS (2010)

(Millions of yen)

	2010		2009		Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
Interest and dividend, net	964	4,091	1,346	4,866	(382)	(775)
Forex gain / loss	(446)	3,089	3,485	1,842	(3,931)	+1,247
Equity earnings / loss of affiliated companies	(551)	10,471	(527)	(12,649)	(24)	+23,120
Other, net	(280)	(12,340)	1,489	8,241	(1,769)	(20,581)
Total	(313)	5,311	5,793	2,300	(6,106)	+3,011

- S3 -

5. SEGMENT INFORMATION BY PRODUCT (Millions of yen)
(2011/Projection)

	2011 (P) Year	2010 Year	Change year over year Year
Office			
External customers	2,196,700	1,978,945	+11.0%
Intersegment	(16,700)	8,324	-
Total sales	2,180,000	1,987,269	+9.7%
Operating profit	322,000	293,322	+9.8%
% of sales	14.8%	14.8%	-
Consumer			
External customers	1,533,000	1,389,622	+10.3%
Intersegment	2,000	1,705	+17.3%
Total sales	1,535,000	1,391,327	+10.3%
Operating profit	265,000	238,065	+11.3%
% of sales	17.3%	17.1%	-
Industry and Others			
External customers	370,300	338,334	+9.4%
Intersegment	94,700	94,624	+0.1%
Total sales	465,000	432,958	+7.4%
Operating profit	18,500	(9,831)	-
% of sales	4.0%	-2.3%	-
Corporate and Eliminations			
External customers	-	-	-
Intersegment	(80,000)	(104,653)	-
Total sales	(80,000)	(104,653)	-
Operating profit	(135,500)	(134,004)	-
Consolidated			
External customers	4,100,000	3,706,901	+10.6%
Intersegment	-	-	-
Total sales	4,100,000	3,706,901	+10.6%

Operating profit	470,000	387,552	+21.3%
% of sales	11.5%	10.5%	-

(P)=Projection

**6. OTHER INCOME / DEDUCTIONS
(2011/Projection)**

(Millions of yen)

	2011 (P) Year	2010 Year	Change year over year Year
Interest and dividend, net	5,000	4,091	+909
Forex gain / loss	0	3,089	(3,089)
Equity earnings / loss of affiliated companies	0	10,471	(10,471)
Other, net	(5,000)	(12,340)	+7,340
Total	0	5,311	(5,311)

(P)=Projection

- S4 -

7. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

	2011 (P)	2010		2009	
	Year	4th quarter	Year	4th quarter	Year
Office					
Monochrome copiers	15%	14%	15%	17%	20%
Color copiers	18%	16%	17%	19%	19%
Other printing devices	49%	46%	50%	57%	53%
Others	18%	24%	18%	7%	8%
Consumer					
Cameras	70%	70%	70%	68%	68%
Inkjet printers	25%	25%	24%	26%	25%
Others	5%	5%	6%	6%	7%
Industry and Others					
Lithography equipment	20%	25%	23%	14%	19%
Others	80%	75%	77%	86%	81%

(P)=Projection

8. SALES GROWTH IN LOCAL CURRENCY

	2011 (P)	2010	
	Year	4th quarter	Year
Office			
Japan	-	+4.3%	+0.7%
Overseas	-	+32.3%	+35.9%
Total	+12.8%	+26.3%	+27.6%
Consumer			
Japan	-	+1.5%	-1.2%
Overseas	-	+10.9%	+17.5%
Total	+13.4%	+9.2%	+14.3%

Industry and Others

Japan	-	-12.4%	-6.2%
Overseas	-	+80.3%	+45.7%
Total	+8.2%	+29.9%	+22.5%

Total

Japan	+6.0%	+0.3%	-0.9%
Overseas	+15.3%	+25.4%	+28.7%
Americas	+8.0%	+18.0%	+21.6%
Europe	+13.9%	+26.2%	+30.0%
Asia and Oceania	+26.3%	+35.9%	+36.6%
Total	+13.5%	+20.2%	+22.2%

(P)=Projection

- S5 -

Canon Inc.

9. PROFITABILITY

	2011 (P) Year	2010 Year	2009 Year
ROE	11.3%	9.2%	4.9%
ROA	7.6%	6.3%	3.4%

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

*2 Based on Net Income attributable to Canon Inc.

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

(Yen)

	2011 (P) Year	2010 4th quarter Year	2009 4th quarter Year
Yen/US\$	85.00	82.68	87.40
Yen/Euro	110.00	111.99	114.97
			89.68
			132.54
			93.21
			130.46

(P)=Projection

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

(Billions of yen)

	2011 (P) Year	2010 4th quarter Year	2009 4th quarter Year
US\$	(44.5)	(28.4)	(86.7)
Euro	(49.4)	(40.3)	(101.1)
Other currencies	(8.6)	(3.1)	(6.1)
Total	(102.5)	(71.8)	(193.9)

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

2011 (P)
Year

On sales	
US\$	19.4
Euro	10.4
On operating profit	
US\$	10.1
Euro	5.8

(P)=Projection

11. STATEMENTS OF CASH FLOWS	(Millions of yen)				
	2011 (P)	2010		2009	
	Year	4th quarter	Year	4th quarter	Year
Net cash provided by operating activities	625,000	224,986	744,413	236,708	611,235
Net cash used in investing activities	(395,000)	(98,931)	(342,133)	(84,010)	(370,244)
Free cash flow	230,000	126,055	402,280	152,698	240,991
Net cash used in financing activities	(158,000)	(11,939)	(279,897)	(998)	(142,379)
Effect of exchange rate changes on cash and cash equivalents	17,400	(32,936)	(76,838)	9,678	17,226
Net change in cash and cash equivalents	89,400	81,180	45,545	161,378	115,838
Cash and cash equivalents at end of period	930,000	840,579	840,579	795,034	795,034

(P)=Projection

- S6 -

12. R&D EXPENDITURE	(Millions of yen)		
	2011 (P)	2010	2009
	Year	Year	Year
Office	-	96,156	78,872
Consumer	-	82,843	74,131
Industry and Others	-	21,062	23,300
Corporate and Eliminations	-	115,756	128,297
Total	340,000	315,817	304,600
% of sales	8.3%	8.5%	9.5%

(P)=Projection

13. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION
(Millions of yen)

	2011 (P)	2010	2009
	Year	Year	Year
Increase in PP&E			
Office	-	48,969	91,525
Consumer	-	35,017	26,483
Industry and Others	-	26,109	22,743
Corporate and Eliminations	-	48,881	75,377
Total	260,000	158,976	216,128
Depreciation and amortization			
Office	-	103,548	90,878
Consumer	-	41,665	48,701
Industry and Others	-	37,387	60,770
Corporate and Eliminations	-	93,593	115,044
Total	300,000	276,193	315,393

(P)=Projection

14. INVENTORIES

(1) Inventories (Millions of yen)

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	2010 Dec.31	2009 Dec.31	Difference
Office	186,817	144,941	+41,876
Consumer	107,261	113,975	(6,714)
Industry and Others	90,699	114,325	(23,626)
Total	384,777	373,241	+11,536

(2) Inventories/Sales*

(Days)

	2010 Dec.31	2009 Dec.31	Difference
Office	32	30	+2
Consumer	27	29	(2)
Industry and Others	88	158	(70)
Total	35	39	(4)

*Index based on the previous six months sales.

15. DEBT RATIO

	2010 Dec.31	2009 Dec.31	Difference
Total debt / Total assets	0.3%	0.3%	0.0%

16. OVERSEAS PRODUCTION RATIO

	2010 Year	2009 Year
Overseas production ratio	49%	40%

17. NUMBER OF EMPLOYEES

	2010 Dec.31	2009 Dec.31	Difference
Japan	71,954	73,635	(1,681)
Overseas	125,432	95,244	+30,188
Total	197,386	168,879	+28,507