

CANON INC
Form 6-K
October 29, 2010

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**October**..... , **2010**

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....**October 27, 2010**....

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 RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2010

**CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND
THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

October 27, 2010

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

| | Actual | | | |
|--|---|--|-----------|--|
| | Three months ended September 30, 2010 | Three months ended September 30, 2009 | Change(%) | Three months ended September 30, 2010 |
| Net sales | ¥ 913,151 | ¥ 774,324 | + 17.9 | \$ 10,870,845 |
| Operating profit | 104,424 | 59,989 | + 74.1 | 1,243,143 |
| Income before income taxes | 108,826 | 63,548 | + 71.3 | 1,295,548 |
| Net income attributable to Canon Inc. | ¥ 68,195 | ¥ 36,734 | + 85.6 | \$ 811,845 |

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

| | | | | |
|-----------|---------|---------|--------|---------|
| - Basic | ¥ 55.07 | ¥ 29.76 | + 85.0 | \$ 0.66 |
| - Diluted | 55.07 | 29.76 | + 85.0 | 0.66 |

CONSOLIDATED RESULTS FOR THE NINE MONTHS

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

| | Actual | | | Projected | | |
|--|--|---|-----------|---|--|-----------|
| | Nine months ended September 30, 2010 | Nine months ended September 30, 2009 | Change(%) | Nine months ended September 30, 2010 | Year ending December 31, 2010 | Change(%) |
| Net sales | ¥ 2,639,035 | ¥ 2,255,143 | + 17.0 | \$ 31,417,083 | ¥ 3,710,000 | + 15.6 |
| Operating profit | 304,705 | 124,927 | + 143.9 | 3,627,440 | 390,000 | + 79.7 |
| Income before income taxes | 310,329 | 121,434 | + 155.6 | 3,694,393 | 390,000 | + 77.8 |
| Net income attributable to Canon Inc. | ¥ 192,644 | ¥ 70,083 | + 174.9 | \$ 2,293,381 | ¥ 245,000 | + 86.1 |

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

| | | | | | | | | | | | | |
|-----------|---|---------------|---|-------|---|-------|----|-------------|---|--------|---|------|
| - Basic | ¥ | 155.79 | ¥ | 56.77 | + | 174.4 | \$ | 1.85 | ¥ | 198.43 | + | 86.1 |
| - Diluted | | 155.79 | | 56.77 | + | 174.4 | | 1.85 | | - | | - |

| | | As of September 30, 2010 | Actual As of December 31, 2009 | Change(%) | | As of September 30, 2010 |
|---------------------|---|--------------------------------|---|-----------|----|--------------------------------|
| Total assets | ¥ | 4,030,551 | ¥ 3,847,557 | + 4.8 | \$ | 47,982,750 |

| | | | | | | |
|---|---|------------------|-------------|-------|----|-------------------|
| Canon Inc. stockholders equity | ¥ | 2,654,979 | ¥ 2,688,109 | - 1.2 | \$ | 31,606,893 |
|---|---|------------------|-------------|-------|----|-------------------|

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 JPY84=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2010, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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

I. Operating Results and Financial Conditions**2010 Third Quarter in Review**

Looking back at the global economy in the third quarter of 2010, economic conditions continued to improve broadly throughout the world. In Japan, consumer spending showed signs of recovery thanks to the effects of such efforts as domestic economic stimulus measures, while in the United States, consumer spending grew steadily despite the unemployment rate remaining at a relatively high level and other concerns. While Europe recorded growth in exports, the pace of economic recovery remained modest as financial concerns within the region were not fully eased. The Asian economies, such as China and India, along with other emerging countries, recorded stable expansion.

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. Additionally, laser printers have rebounded steadily compared with the previous year. As for the consumer products market, demand for digital single-lens reflex (SLR) cameras maintained solid growth across global markets. Although sales of compact digital cameras grew sluggishly in developed countries, demand in emerging markets, such as those in Asia, displayed healthy growth, leading to solid expansion overall. With regard to inkjet printers, demand continued to recover at a steady pace. In the industry and others market, market conditions for semiconductor lithography equipment were marked by an upturn in order placements, owing to improved sentiment within the semiconductor device market, whereas demand for liquid crystal display (LCD) lithography equipment remained relatively unchanged compared with the previous-year level. The average values of the yen during the third quarter and first nine months of the year were ¥85.79 and ¥89.40 to the U.S. dollar, respectively, year-on-year appreciations of approximately ¥8 and ¥5, and ¥110.61 and ¥116.30 to the euro, year-on-year appreciations of approximately ¥23 and ¥13.

Amid the impact of the sharp appreciation of the yen, net sales for the quarter totaled ¥913.2 billion (U.S.\$10,871 million), an increase of 17.9% from the year-ago period, and ¥2,639.0 billion (U.S. \$31,417 million) for the first nine months, an increase of 17.0%, 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 turnaround within the industry and others market, 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 quarterly gross profit ratio rose 3.8 points year on year to 48.9%, and improved 4.8 points to 48.9% for the nine-month period, 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 27.9% to ¥446.9 billion (U.S.\$5,320 million) for the third quarter and increased by 29.9% to ¥1,290.8 billion (U.S.\$15,367 million) for the nine months ended September 30, 2010. Despite the impact of aggressive sales-promotion spending and consolidation, continued Group-wide efforts to thoroughly reduce spending contributed to an operating expenses to sales ratio of 37.5% for the quarter, approximately the same level as for the corresponding period for the previous year, and an improvement of 1.2 points to 37.4% for the nine-month period. Consequently, operating profit recorded growth of 74.1% to ¥104.4 billion (U.S.\$1,243 million) for the quarter, and increased approximately 2.4 fold to ¥304.7 billion (U.S.\$3,627 million) for the nine-month period. Other income (deductions) recorded an increase largely due to an improvement in foreign currency exchange gains and losses, leading to income before income taxes for the third quarter of ¥108.8 billion (U.S.\$1,296 million), an increase of 71.3% year on year, and ¥310.3 billion (U.S.\$3,694 million) for the nine months ended September 30, 2010, an approximately 2.6-fold leap from the corresponding period of the previous year. Net income attributable to Canon Inc. grew by 85.6% to ¥68.2 billion (U.S.\$812 million) for the quarter, and jumped 2.7 fold to ¥192.6 billion (U.S.\$2,293 million) for the nine-month period.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥55.07 (U.S.\$0.66), an increase of ¥25.31 (U.S.\$0.30) compared with the corresponding quarter of the previous year, and ¥155.79 (U.S.\$1.85) for the first nine months of 2010, a year-on-year increase of ¥99.02 (U.S.\$1.18).

Results by Segment

Looking at Canon's quarterly performance by business sector, within the Office Business Unit, while sales volume of color network digital MFDs increased by 38% boosted by the recovery in demand for office equipment along with the introduction of new imageRUNNER ADVANCE-series products, sales volume for monochrome models increased by 24%, reflecting the recovering market conditions. Laser printers, which suffered sluggish sales in the corresponding quarter of the previous year largely due to an adjustment of inventory levels, recorded an increase in sales volume of 61%. Consequently, despite the significant effects of the strong yen, third-quarter sales for the segment totaled ¥506.9 billion (U.S.\$6,035 million), growing 25.6% year on year, and ¥1,438.0 billion (U.S.\$17,119 million) for the nine months ended September 30, 2010, an increase of 21.9%. Operating profit increased 30.3% to ¥76.3 billion (U.S.\$908 million) for the third quarter, and 56.0% to ¥232.2 billion (U.S.\$2,764 million) for the combined nine-month period, mainly as a result of expanded sales and the rise in the gross profit ratio.

Within the Consumer Business Unit, sales volumes of such new digital SLR cameras as the new EOS Digital Rebel T2i (EOS 550D) and the competitively priced EOS Digital Rebel T1i (EOS 500D), along with the EOS 5D Mark II and EOS 7D advanced-amateur models, sustained healthy growth. As for compact digital cameras, the Company launched a new ELPH (IXUS)-series model and four new PowerShot-series models, boosting sales volumes particularly in emerging markets. Consequently, sales volume for digital cameras realized a year-on-year increase of 10%. With respect to inkjet printers, although sales displayed solid growth, particularly in Asia, sales volume decreased slightly from the year-ago level. Amid the strong yen environment, sales for the segment rose 3.3% year on year to ¥324.8 billion (U.S.\$3,866 million), and 10.2% to ¥979.1 billion (U.S.\$11,656 million) for the first nine months. Operating profit increased by 14.0% to ¥58.8 billion (U.S.\$700 million) for the quarter, and by 59.7% to ¥173.0 billion (U.S.\$2,060 million) for the nine-month period, largely reflecting increased sales and the rise in the gross profit ratio owing to the effects of cost reductions.

In the Industry and Others Business Unit, semiconductor-related independent business sales by Group subsidiaries grew while sales volume of LCD lithography equipment increased appreciably. Sales volume of semiconductor lithography equipment, while remaining at a low level, also gained modestly. As a result, sales for the segment increased 31.7% to ¥109.8 billion (U.S.\$1,307 million) for the quarter, and 18.2% to ¥301.0 billion (U.S.\$3,584 million) for the combined nine months. Operating profit totaled ¥4.4 billion (U.S.\$52 million) for the quarter, a turnaround of ¥21.6 billion (U.S.\$257 million) year on year while for the nine-month period, operating loss totaled to ¥4.0 billion (U.S.\$47 million), a turnaround of ¥37.0 billion (U.S.\$441 million) from the year-ago period owing to expanded sales combined with an improved gross profit ratio.

Cash Flow

During the combined nine months of 2010, cash flows from operating activities totaled ¥519.4 billion (U.S.\$6,184 million), an increase of ¥144.9 billion (U.S.\$1,725 million) from the year-ago period, mainly due to the continued significant increase in profit. Although investments, such as for the acquisition of shares of Océ N.V. to strengthen the printing business, increased substantially, capital investment was focused on items relevant to introducing new products, which led to a year-on-year decrease in cash flows from investing activities of ¥43.0 billion (U.S.\$512 million) to ¥243.2 billion (U.S.\$2,895 million). Accordingly, free cash flows totaled ¥276.2 billion (U.S.\$3,288 million), an increase of ¥187.9 billion (U.S.\$2,237 million) from the corresponding year-ago period.

Cash flows from financing activities recorded an outlay of ¥268.0 billion (U.S.\$3,190 million), mainly arising from the dividend payout, the repurchases of treasury stock, and the partial repayment of borrowings of Océ N.V. Cash and cash equivalents decreased by ¥35.6 billion (U.S.\$424 million) to ¥759.4 billion (U.S.\$9,040 million) from the end of the previous year due to the foreign currency translation adjustments stemming from the strong yen.

Outlook

As for the outlook in the fourth quarter, although developed countries face uncertainty regarding future prospects due to such factors as employment problems and fiscal challenges, these economies appear to be steadily headed toward recovery while China and other emerging nations, which are expected to fuel global growth, are likely to continue enjoying healthy expansion.

In the businesses in which Canon is involved, within the office equipment market, demand for such products as color network digital MFDs and laser printers is projected to head toward a recovery. With respect to the consumer products market, demand for digital SLR cameras is expected to achieve solid growth while sales of compact digital cameras are anticipated to expand modestly. Demand for inkjet printers is likely to expand gradually in response to the economic turnaround. As for the industry and others market, demand for semiconductor lithography equipment is expected to regain momentum as device makers begin investing again, while demand for LCD lithography equipment is also expected to increase significantly as LCD panel manufacturers boost production.

With regard to currency exchange rates for the fourth quarter, on which Canon's performance outlook is based, despite the uncertainty over future interest rate policies for major countries and other factors along with the effects of the fiscal concerns in Europe, Canon anticipates exchange rates for the period of ¥80 to the U.S. dollar and ¥115 to the euro, representing appreciations of approximately ¥10 against the U.S. dollar, and approximately ¥18 against the euro compared with the previous year. Upon taking into consideration current business sentiment based on these foreign exchange rate assumptions, Canon has revised its previous projections as follows: net sales of ¥3,710.0 billion (U.S.\$44,167 million), a year-on-year increase of 15.6%; operating profit of ¥390.0 billion (U.S.\$4,643 million), a year-on-year increase of 79.7%; income before income taxes of ¥390.0 billion (U.S.\$4,643 million), a year-on-year increase of 77.8%; and net income attributable to Canon Inc. of ¥245.0 billion (U.S.\$2,917 million), a year-on-year increase of 86.1%.

Consolidated Outlook

Fiscal year

Millions of yen

| | Year ending | | Change | Year ended | Change (%) |
|---------------------------------------|----------------------|---------------------|------------|------------------|-------------|
| | December 31, 2010 | | | December 31, | |
| | Previous Outlook (A) | Revised Outlook (B) | (B - A) | 2009 Results (C) | (B - C) / C |
| Net sales | ¥ 3,750,000 | ¥ 3,710,000 | ¥ (40,000) | ¥ 3,209,201 | + 15.6% |
| Operating profit | 360,000 | 390,000 | 30,000 | 217,055 | + 79.7% |
| Income before income taxes | 360,000 | 390,000 | 30,000 | 219,355 | + 77.8% |
| Net income attributable to Canon Inc. | ¥ 240,000 | ¥ 245,000 | ¥ 5,000 | ¥ 131,647 | + 86.1% |

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates

and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | As of September 30, 2010 | Millions of yen As of December 31, 2009 | Change | Thousands of U.S. dollars As of September 30, 2010 |
|---|-----------------------------------|--|------------------|--|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 759,399 | ¥ 795,034 | ¥ (35,635) | \$ 9,040,464 |
| Short-term investments | 58,867 | 19,089 | 39,778 | 700,798 |
| Trade receivables, net | 541,538 | 556,572 | (15,034) | 6,446,881 |
| Inventories | 470,717 | 373,241 | 97,476 | 5,603,774 |
| Prepaid expenses and other current assets | 304,347 | 273,843 | 30,504 | 3,623,178 |
| Total current assets | 2,134,868 | 2,017,779 | 117,089 | 25,415,095 |
| Noncurrent receivables | 17,083 | 14,936 | 2,147 | 203,369 |
| Investments | 81,301 | 114,066 | (32,765) | 967,869 |
| Property, plant and equipment, net | 1,235,385 | 1,269,785 | (34,400) | 14,706,964 |
| Intangible assets, net | 163,298 | 117,396 | 45,902 | 1,944,024 |
| Other assets | 398,616 | 313,595 | 85,021 | 4,745,429 |
| Total assets | ¥4,030,551 | ¥ 3,847,557 | ¥ 182,994 | \$ 47,982,750 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 7,649 | ¥ 4,869 | ¥ 2,780 | \$ 91,060 |
| Trade payables | 400,904 | 339,113 | 61,791 | 4,772,667 |
| Accrued income taxes | 85,077 | 50,105 | 34,972 | 1,012,821 |
| Accrued expenses | 316,089 | 274,300 | 41,789 | 3,762,964 |
| Other current liabilities | 131,138 | 115,303 | 15,835 | 1,561,167 |
| Total current liabilities | 940,857 | 783,690 | 157,167 | 11,200,679 |
| Long-term debt, excluding current installments | 5,185 | 4,912 | 273 | 61,726 |
| Accrued pension and severance cost | 183,403 | 115,904 | 67,499 | 2,183,369 |
| Other noncurrent liabilities | 69,883 | 63,651 | 6,232 | 831,940 |
| Total liabilities | 1,199,328 | 968,157 | 231,171 | 14,277,714 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 2,080,500 |

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| | | | | |
|--|-------------------|-------------|-----------|----------------------|
| Additional paid-in capital | 407,087 | 404,293 | 2,794 | 4,846,274 |
| Legal reserve | 56,257 | 54,687 | 1,570 | 669,726 |
| Retained earnings | 2,917,861 | 2,871,437 | 46,424 | 34,736,440 |
| Accumulated other comprehensive income (loss) | (349,989) | (260,818) | (89,171) | (4,166,536) |
| Treasury stock, at cost | (550,999) | (556,252) | 5,253 | (6,559,511) |
| Total Canon Inc. stockholders' equity | 2,654,979 | 2,688,109 | (33,130) | 31,606,893 |
| Noncontrolling interests | 176,244 | 191,291 | (15,047) | 2,098,143 |
| Total equity | 2,831,223 | 2,879,400 | (48,177) | 33,705,036 |
| Total liabilities and equity | ¥4,030,551 | ¥ 3,847,557 | ¥ 182,994 | \$ 47,982,750 |

| | | | |
|--|-----------------|--------------|------------------------------|
| | Millions of yen | | Thousands of U.S. dollars |
| | As of | As of | As of |
| | September | December 31, | September 30, |
| | 30, | 2009 | 2010 |
| | 2010 | | |

Notes:

| | | | |
|--|------------------|-----------|--------------------|
| 1. Allowance for doubtful receivables | ¥ 15,700 | ¥ 11,343 | \$ 186,905 |
| 2. Accumulated depreciation | 1,920,904 | 1,815,982 | 22,867,905 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (287,890) | (202,628) | (3,427,262) |
| Net unrealized gains and losses on securities | 128 | 3,285 | 1,524 |
| Net gains and losses on derivative instruments | (287) | 71 | (3,417) |
| Pension liability adjustments | (61,940) | (61,546) | (737,381) |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

| <u>Results for the third quarter</u> | Millions of yen | | | Thousands of U.S. dollars |
|--|---|--|-----------|--|
| | Three months ended September 30, 2010 | Three months ended September 30, 2009 | Change(%) | Three months ended September 30, 2010 |
| Net sales | ¥ 913,151 | ¥ 774,324 | + 17.9 | \$ 10,870,845 |
| Cost of sales | 466,240 | 425,001 | | 5,550,476 |
| Gross profit | 446,911 | 349,323 | + 27.9 | 5,320,369 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 265,413 | 215,607 | | 3,159,678 |
| Research and development expenses | 77,074 | 73,727 | | 917,548 |
| | 342,487 | 289,334 | | 4,077,226 |
| Operating profit | 104,424 | 59,989 | + 74.1 | 1,243,143 |
| Other income (deductions): | | | | |
| Interest and dividend income | 1,544 | 970 | | 18,381 |
| Interest expense | (207) | (20) | | (2,464) |
| Other, net | 3,065 | 2,609 | | 36,488 |
| | 4,402 | 3,559 | | 52,405 |
| Income before income taxes | 108,826 | 63,548 | + 71.3 | 1,295,548 |
| Income taxes | 39,904 | 24,604 | | 475,048 |
| Consolidated net income | 68,922 | 38,944 | | 820,500 |
| Less: Net income attributable to noncontrolling interests | 727 | 2,210 | | 8,655 |
| Net income attributable to Canon Inc. | ¥ 68,195 | ¥ 36,734 | + 85.6 | \$ 811,845 |

Note: Consolidated comprehensive income for the three months ended September 30, 2010 and 2009 was JPY 52,105 million (U.S.\$620,298 thousand) and JPY 2,845 million, respectively.

| <u>Results for the nine months</u> | Millions of yen | | | Thousands of U.S. dollars |
|------------------------------------|-----------------|-------------|--|------------------------------|
| | Nine months | Nine months | | Nine months |

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| | ended September 30, 2010 | ended September 30, 2009 | Change(%) | ended September 30, 2010 |
|---|---|--------------------------------|-----------|---|
| Net sales | ¥ 2,639,035 | ¥ 2,255,143 | + 17.0 | \$ 31,417,083 |
| Cost of sales | 1,348,193 | 1,261,541 | | 16,049,916 |
| Gross profit | 1,290,842 | 993,602 | + 29.9 | 15,367,167 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 756,238 | 641,342 | | 9,002,834 |
| Research and development expenses | 229,899 | 227,333 | | 2,736,893 |
| | 986,137 | 868,675 | | 11,739,727 |
| Operating profit | 304,705 | 124,927 | + 143.9 | 3,627,440 |
| Other income (deductions): | | | | |
| Interest and dividend income | 4,287 | 3,761 | | 51,036 |
| Interest expense | (1,160) | (241) | | (13,810) |
| Other, net | 2,497 | (7,013) | | 29,727 |
| | 5,624 | (3,493) | | 66,953 |
| Income before income taxes | 310,329 | 121,434 | + 155.6 | 3,694,393 |
| Income taxes | 113,879 | 48,709 | | 1,355,703 |
| Consolidated net income | 196,450 | 72,725 | | 2,338,690 |
| Less: Net income attributable to noncontrolling interests | 3,806 | 2,642 | | 45,309 |
| Net income attributable to Canon Inc. | ¥ 192,644 | ¥ 70,083 | + 174.9 | \$ 2,293,381 |

Note: Consolidated comprehensive income for the nine months ended September 30, 2010 and 2009 was JPY 104,852 million (U.S.\$1,248,238 thousand) and JPY 94,118 million, respectively.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| <u>Results for the third quarter</u> | Millions of yen | | | Thousands of U.S. dollars |
|---|--|--|------------------|--|
| | Three months ended September 30, 2010 | Three months ended September 30, 2009 | Change(%) | Three months ended September 30, 2010 |
| Sales by business unit | | | | |
| Office | ¥ 506,915 | ¥ 403,645 | + 25.6 | \$ 6,034,702 |
| Consumer | 324,773 | 314,497 | + 3.3 | 3,866,345 |
| Industry and Others | 109,774 | 83,362 | + 31.7 | 1,306,833 |
| Eliminations | (28,311) | (27,180) | - | (337,035) |
| Total | ¥ 913,151 | ¥ 774,324 | + 17.9 | \$ 10,870,845 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|--|--|------------------|--|
| | Three months ended September 30, 2010 | Three months ended September 30, 2009 | Change(%) | Three months ended September 30, 2010 |
| Japan | ¥ 159,919 | ¥ 161,863 | - 1.2 | \$ 1,903,798 |
| Overseas: | | | | |
| <i>Americas</i> | 246,695 | 217,512 | + 13.4 | 2,936,845 |
| <i>Europe</i> | 288,012 | 237,452 | + 21.3 | 3,428,714 |
| <i>Other areas</i> | 218,525 | 157,497 | + 38.7 | 2,601,488 |
| | 753,232 | 612,461 | + 23.0 | 8,967,047 |
| Total | ¥ 913,151 | ¥ 774,324 | + 17.9 | \$ 10,870,845 |

| <u>Results for the nine months</u> | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|------------------|---|
| | Nine months ended September 30, 2010 | Nine months ended September 30, 2009 | Change(%) | Nine months ended September 30, 2010 |
| Sales by business unit | | | | |
| Office | ¥ 1,437,992 | ¥ 1,179,945 | + 21.9 | \$ 17,118,952 |
| Consumer | 979,087 | 888,431 | + 10.2 | 11,655,798 |
| Industry and Others | 301,032 | 254,680 | + 18.2 | 3,583,714 |
| Eliminations | (79,076) | (67,913) | - | (941,381) |
| Total | ¥ 2,639,035 | ¥ 2,255,143 | + 17.0 | \$ 31,417,083 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars |
|-----------------|--|--|-----------|--|
| | Nine months ended September 30, 2010 | Nine months ended September 30, 2009 | Change(%) | Nine months ended September 30, 2010 |
| Japan | ¥ 497,580 | ¥ 504,745 | - 1.4 | \$ 5,923,571 |
| Overseas: | | | | |
| Americas | 721,189 | 619,372 | + 16.4 | 8,585,583 |
| Europe | 829,659 | 686,627 | + 20.8 | 9,876,893 |
| Other areas | 590,607 | 444,399 | + 32.9 | 7,031,036 |
| | 2,141,455 | 1,750,398 | + 22.3 | 25,493,512 |
| Total | ¥ 2,639,035 | ¥ 2,255,143 | + 17.0 | \$ 31,417,083 |

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

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

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 /

Other Areas: Asian regions, China, Oceania

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | Nine months ended September 30, 2010 | Nine months ended September 30, 2009 | Nine months ended September 30, 2010 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 196,450 | ¥ 72,725 | \$ 2,338,690 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 198,033 | 234,528 | 2,357,536 |
| Loss on disposal of property, plant and equipment | 8,240 | 2,854 | 98,095 |
| Deferred income taxes | 3,588 | 10,244 | 42,714 |
| Decrease in trade receivables | 26,584 | 105,239 | 316,476 |
| (Increase) decrease in inventories | (93,981) | 87,088 | (1,118,821) |
| Increase (decrease) in trade payables | 110,507 | (89,518) | 1,315,560 |
| Increase (decrease) in accrued income taxes | 37,405 | (38,160) | 445,298 |
| Increase (decrease) in accrued expenses | 9,062 | (20,647) | 107,881 |
| Increase in accrued (prepaid) pension and severance cost | 4,451 | 2,120 | 52,988 |
| Other, net | 19,088 | 8,054 | 227,238 |
| Net cash provided by operating activities | 519,427 | 374,527 | 6,183,655 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (136,735) | (261,890) | (1,627,798) |
| Proceeds from sale of fixed assets | 1,666 | 8,529 | 19,833 |
| Purchases of available-for-sale securities | (10,882) | (324) | (129,548) |
| Proceeds from sale and maturity of available-for-sale securities | 241 | 437 | 2,869 |
| Increase in time deposits, net | (40,132) | (17,813) | (477,762) |
| Acquisitions of subsidiaries, net of cash acquired | (55,604) | (2,979) | (661,952) |
| Purchases of other investments | (851) | (13,959) | (10,131) |
| Other, net | (905) | 1,765 | (10,773) |
| Net cash used in investing activities | (243,202) | (286,234) | (2,895,262) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 3,856 | 2,736 | 45,905 |
| Repayments of long-term debt | (4,134) | (4,686) | (49,214) |
| Decrease in short-term loans, net | (74,002) | (174) | (880,976) |
| Dividends paid | (136,103) | (135,793) | (1,620,274) |
| Repurchases of treasury stock, net | (32,903) | (31) | (391,702) |
| Other, net | (24,672) | (3,433) | (293,715) |

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| | | | |
|--|------------------|-----------|---------------------|
| Net cash used in financing activities | (267,958) | (141,381) | (3,189,976) |
| Effect of exchange rate changes on cash and cash equivalents | (43,902) | 7,548 | (522,643) |
| Net change in cash and cash equivalents | (35,635) | (45,540) | (424,226) |
| Cash and cash equivalents at beginning of period | 795,034 | 679,196 | 9,464,690 |
| Cash and cash equivalents at end of period | ¥ 759,399 | ¥ 633,656 | \$ 9,040,464 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| <u>Results for the third quarter</u> | Millions of yen | | | | Change(%) | Thousands of |
|--------------------------------------|--|--|---|------|--------------|--|
| | Three months ended September 30, 2010 | Three months ended September 30, 2009 | | | | U.S. dollars Three months ended September 30, 2010 |
| Office | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 505,049 | ¥ 401,260 | + | 25.9 | \$ 6,012,488 | |
| Intersegment | 1,866 | 2,385 | - | 21.8 | 22,214 | |
| Total | 506,915 | 403,645 | + | 25.6 | 6,034,702 | |
| Operating cost and expenses | 430,615 | 345,074 | + | 24.8 | 5,126,369 | |
| Operating profit | ¥ 76,300 | ¥ 58,571 | + | 30.3 | \$ 908,333 | |
| Consumer | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 324,450 | ¥ 314,066 | + | 3.3 | \$ 3,862,500 | |
| Intersegment | 323 | 431 | - | 25.1 | 3,845 | |
| Total | 324,773 | 314,497 | + | 3.3 | 3,866,345 | |
| Operating cost and expenses | 265,996 | 262,918 | + | 1.2 | 3,166,619 | |
| Operating profit | ¥ 58,777 | ¥ 51,579 | + | 14.0 | \$ 699,726 | |
| Industry and Others | | | | | | |
| Net sales: | | | | | | |
| External customers | ¥ 83,652 | ¥ 58,998 | + | 41.8 | \$ 995,857 | |
| Intersegment | 26,122 | 24,364 | + | 7.2 | 310,976 | |
| Total | 109,774 | 83,362 | + | 31.7 | 1,306,833 | |
| Operating cost and expenses | 105,382 | 100,559 | + | 4.8 | 1,254,547 | |
| Operating profit (loss) | ¥ 4,392 | ¥ (17,197) | - | | \$ 52,286 | |

Corporate and Eliminations

Net sales:

| | | | | | | | |
|-----------------------------|---|----------|---|----------|---|----|-----------|
| External customers | ¥ | - | ¥ | - | - | \$ | - |
| Intersegment | | (28,311) | | (27,180) | | | (337,035) |
| Total | | (28,311) | | (27,180) | | | (337,035) |
| Operating cost and expenses | | 6,734 | | 5,784 | | | 80,167 |
| Operating profit | ¥ | (35,045) | ¥ | (32,964) | | \$ | (417,202) |

Consolidated

Net sales:

| | | | | | | | | |
|-----------------------------|---|---------|---|---------|---|------|----|------------|
| External customers | ¥ | 913,151 | ¥ | 774,324 | + | 17.9 | \$ | 10,870,845 |
| Intersegment | | - | | - | | - | | - |
| Total | | 913,151 | | 774,324 | + | 17.9 | | 10,870,845 |
| Operating cost and expenses | | 808,727 | | 714,335 | + | 13.2 | | 9,627,702 |
| Operating profit | ¥ | 104,424 | ¥ | 59,989 | + | 74.1 | \$ | 1,243,143 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the nine months

| | Millions of yen | | | | Thousands of U.S. dollars |
|-----------------------------------|---|---|-----------|----|---|
| | Nine months ended September 30, 2010 | Nine months ended September 30, 2009 | Change(%) | | Nine months ended September 30, 2010 |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 1,431,626 | ¥ 1,172,907 | + 22.1 | \$ | 17,043,167 |
| Intersegment | 6,366 | 7,038 | - 9.5 | | 75,785 |
| Total | 1,437,992 | 1,179,945 | + 21.9 | | 17,118,952 |
| Operating cost and expenses | 1,205,821 | 1,031,163 | + 16.9 | | 14,355,012 |
| Operating profit | ¥ 232,171 | ¥ 148,782 | + 56.0 | \$ | 2,763,940 |
| Consumer | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 977,741 | ¥ 887,107 | + 10.2 | \$ | 11,639,774 |
| Intersegment | 1,346 | 1,324 | + 1.7 | | 16,024 |
| Total | 979,087 | 888,431 | + 10.2 | | 11,655,798 |
| Operating cost and expenses | 806,044 | 780,082 | + 3.3 | | 9,595,762 |
| Operating profit | ¥ 173,043 | ¥ 108,349 | + 59.7 | \$ | 2,060,036 |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 229,668 | ¥ 195,129 | + 17.7 | \$ | 2,734,142 |
| Intersegment | 71,364 | 59,551 | + 19.8 | | 849,572 |
| Total | 301,032 | 254,680 | + 18.2 | | 3,583,714 |
| Operating cost and expenses | 305,019 | 295,676 | + 3.2 | | 3,631,178 |
| Operating profit (loss) | ¥ (3,987) | ¥ (40,996) | - | \$ | (47,464) |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | \$ | - |
| Intersegment | (79,076) | (67,913) | - | | (941,381) |

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| | | | | | | | | |
|-----------------------------|---|------------------|---|-----------|---|-------|----|--------------------|
| Total | | (79,076) | | (67,913) | | - | | (941,381) |
| Operating cost and expenses | | 17,446 | | 23,295 | | - | | 207,691 |
| Operating profit | ¥ | (96,522) | ¥ | (91,208) | | - | \$ | (1,149,072) |
| Consolidated | | | | | | | | |
| Net sales: | | | | | | | | |
| External customers | ¥ | 2,639,035 | ¥ | 2,255,143 | + | 17.0 | \$ | 31,417,083 |
| Intersegment | | - | | - | | - | | - |
| Total | | 2,639,035 | | 2,255,143 | + | 17.0 | | 31,417,083 |
| Operating cost and expenses | | 2,334,330 | | 2,130,216 | + | 9.6 | | 27,789,643 |
| Operating profit | ¥ | 304,705 | ¥ | 124,927 | + | 143.9 | \$ | 3,627,440 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| Results for the third quarter | Millions of yen | | | Change(%) | Thousands of |
|-------------------------------|---|---|---|-----------|---|
| | Three months ended September 30, 2010 | Three months ended September 30, 2009 | | | U.S. dollars Three months ended September 30, 2010 |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 199,912 | ¥ 183,622 | + | 8.9 | \$ 2,379,905 |
| Intersegment | 504,522 | 455,645 | + | 10.7 | 6,006,214 |
| Total | 704,434 | 639,267 | + | 10.2 | 8,386,119 |
| Operating cost and expenses | 596,566 | 560,347 | + | 6.5 | 7,101,976 |
| Operating profit | ¥ 107,868 | ¥ 78,920 | + | 36.7 | \$ 1,284,143 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 244,674 | ¥ 211,600 | + | 15.6 | \$ 2,912,785 |
| Intersegment | 4,022 | (94) | | - | 47,881 |
| Total | 248,696 | 211,506 | + | 17.6 | 2,960,666 |
| Operating cost and expenses | 242,572 | 206,860 | + | 17.3 | 2,887,761 |
| Operating profit | ¥ 6,124 | ¥ 4,646 | + | 31.8 | \$ 72,905 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 285,550 | ¥ 236,775 | + | 20.6 | \$ 3,399,405 |
| Intersegment | 462 | 1,295 | | 64.3 | 5,500 |
| Total | 286,012 | 238,070 | + | 20.1 | 3,404,905 |
| Operating cost and expenses | 273,649 | 230,792 | + | 18.6 | 3,257,726 |
| Operating profit | ¥ 12,363 | ¥ 7,278 | + | 69.9 | \$ 147,179 |
| Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 183,015 | ¥ 142,327 | + | 28.6 | \$ 2,178,750 |

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| | | | | | |
|-----------------------------------|-------------------|------------|---|------|----------------------|
| Intersegment | 192,854 | 160,266 | + | 20.3 | 2,295,881 |
| Total | 375,869 | 302,593 | + | 24.2 | 4,474,631 |
| Operating cost and expenses | 361,404 | 288,765 | + | 25.2 | 4,302,429 |
| Operating profit | ¥ 14,465 | ¥ 13,828 | + | 4.6 | \$ 172,202 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | - | \$ - |
| Intersegment | (701,860) | (617,112) | - | - | (8,355,476) |
| Total | (701,860) | (617,112) | - | - | (8,355,476) |
| Operating cost and expenses | (665,464) | (572,429) | - | - | (7,922,190) |
| Operating profit | ¥ (36,396) | ¥ (44,683) | - | - | \$ (433,286) |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 913,151 | ¥ 774,324 | + | 17.9 | \$ 10,870,845 |
| Intersegment | - | - | - | - | - |
| Total | 913,151 | 774,324 | + | 17.9 | 10,870,845 |
| Operating cost and expenses | 808,727 | 714,335 | + | 13.2 | 9,627,702 |
| Operating profit | ¥ 104,424 | ¥ 59,989 | + | 74.1 | \$ 1,243,143 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the nine months

| | Millions of yen | | | | Thousands of U.S. dollars |
|-----------------------------|---|---|-----------|----|---|
| | Nine months ended September 30, 2010 | Nine months ended September 30, 2009 | Change(%) | | Nine months ended September 30, 2010 |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 604,374 | ¥ 599,823 | + 0.8 | \$ | 7,194,929 |
| Intersegment | 1,457,204 | 1,175,120 | + 24.0 | | 17,347,666 |
| Total | 2,061,578 | 1,774,943 | + 16.1 | | 24,542,595 |
| Operating cost and expenses | 1,743,505 | 1,590,086 | + 9.6 | | 20,756,012 |
| Operating profit | ¥ 318,073 | ¥ 184,857 | + 72.1 | \$ | 3,786,583 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 711,328 | ¥ 602,836 | + 18.0 | \$ | 8,468,190 |
| Intersegment | 5,134 | 871 | + 489.4 | | 61,120 |
| Total | 716,462 | 603,707 | + 18.7 | | 8,529,310 |
| Operating cost and expenses | 698,834 | 597,292 | + 17.0 | | 8,319,453 |
| Operating profit | ¥ 17,628 | ¥ 6,415 | + 174.8 | \$ | 209,857 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 823,886 | ¥ 684,387 | + 20.4 | \$ | 9,808,167 |
| Intersegment | 2,650 | 2,232 | + 18.7 | | 31,547 |
| Total | 826,536 | 686,619 | + 20.4 | | 9,839,714 |
| Operating cost and expenses | 794,215 | 665,856 | + 19.3 | | 9,454,940 |
| Operating profit | ¥ 32,321 | ¥ 20,763 | + 55.7 | \$ | 384,774 |
| Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 499,447 | ¥ 368,097 | + 35.7 | \$ | 5,945,797 |
| Intersegment | 528,637 | 368,561 | + 43.4 | | 6,293,298 |

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| | | | | | |
|-----------------------------------|-------------|-------------|---|-------|----------------|
| Total | 1,028,084 | 736,658 | + | 39.6 | 12,239,095 |
| Operating cost and expenses | 988,666 | 709,348 | + | 39.4 | 11,769,833 |
| Operating profit | ¥ 39,418 | ¥ 27,310 | + | 44.3 | \$ 469,262 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | - | \$ - |
| Intersegment | (1,993,625) | (1,546,784) | - | - | (23,733,631) |
| Total | (1,993,625) | (1,546,784) | - | - | (23,733,631) |
| Operating cost and expenses | (1,890,890) | (1,432,366) | - | - | (22,510,595) |
| Operating profit | ¥ (102,735) | ¥ (114,418) | - | - | \$ (1,223,036) |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 2,639,035 | ¥ 2,255,143 | + | 17.0 | \$ 31,417,083 |
| Intersegment | - | - | - | - | - |
| Total | 2,639,035 | 2,255,143 | + | 17.0 | 31,417,083 |
| Operating cost and expenses | 2,334,330 | 2,130,216 | + | 9.6 | 27,789,643 |
| Operating profit | ¥ 304,705 | ¥ 124,927 | + | 143.9 | \$ 3,627,440 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS' EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | September 30,2010 | December 31,2009 | Change |
|--------------|----------------------|---------------------|--------|
| Subsidiaries | 299 | 241 | 58 |
| Affiliates | 14 | 15 | (1) |
| Total | 313 | 256 | 57 |

2. Change in Group Entities

Subsidiaries

Addition: 84 companies

Removal: 26 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.
Oct. 27, 2010

CONSOLIDATED FINANCIAL RESULTS FOR
THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2010
SUPPLEMENTARY REPORT
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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should

underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Canon Inc.

(Millions of yen)

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

| | 2010 | | | 2009 | | | Change year over year | | |
|---------------|-------------|-----------|-----------|-------------|-----------|-----------|-----------------------|--------|-------|
| | 3rd quarter | YTD | Year (P) | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| North America | 88,935 | 280,695 | - | 89,674 | 281,972 | 374,275 | -0.8% | -0.5% | |
| Consumer | 49,080 | 145,711 | - | 52,148 | 149,305 | 219,036 | -5.9% | -2.4% | |
| Business | 21,904 | 71,174 | - | 20,041 | 73,468 | 109,033 | +9.3% | -3.1% | |
| Europe | 159,919 | 497,580 | 706,500 | 161,863 | 504,745 | 702,344 | -1.2% | -1.4% | +1.1% |
| Asia | 416,114 | 1,150,931 | - | 311,586 | 890,935 | 1,260,781 | +33.5% | +29.2% | |
| Consumer | 275,370 | 832,030 | - | 261,918 | 737,802 | 1,080,158 | +5.1% | +12.8% | |
| Business | 61,748 | 158,494 | - | 38,957 | 121,661 | 165,918 | +58.5% | +30.3% | |
| Latin America | 753,232 | 2,141,455 | 3,003,500 | 612,461 | 1,750,398 | 2,506,857 | +23.0% | +22.3% | +1.7% |
| Africa | 156,538 | 431,267 | - | 123,936 | 346,231 | 485,180 | +26.3% | +24.6% | |
| Consumer | 80,142 | 260,710 | - | 82,419 | 241,826 | 367,035 | -2.8% | +7.8% | |
| Business | 10,015 | 29,212 | - | 11,157 | 31,315 | 41,939 | -10.2% | -6.7% | |
| Other | 246,695 | 721,189 | 1,012,800 | 217,512 | 619,372 | 894,154 | +13.4% | +16.4% | +1.1% |

(P)=Projection

- S1 -

Canon Inc.

2. SEGMENT INFORMATION BY BUSINESS UNIT

(Millions of yen)

| | 3rd quarter | 2010 | | 3rd quarter | 2009 | | Change year over year | | |
|-----------------------------------|----------------|-----------|-------------|----------------|-----------|-----------|-----------------------|--------|--------|
| | | YTD | Year (P) | | YTD | Year | 3rd quarter | YTD | Year |
| Office | | | | | | | | | |
| External customers | 505,049 | 1,431,626 | 1,975,900 | 401,260 | 1,172,907 | 1,635,056 | +25.9% | +22.1% | +20.8% |
| Intersegment | 1,866 | 6,366 | 7,700 | 2,385 | 7,038 | 10,020 | -21.8% | -9.5% | -23.2% |
| Total sales | 506,915 | 1,437,992 | 1,983,600 | 403,645 | 1,179,945 | 1,645,076 | +25.6% | +21.9% | +20.6% |
| Operating profit | 76,300 | 232,171 | 293,000 | 58,571 | 148,782 | 229,396 | +30.3% | +56.0% | +27.7% |
| % of sales | 15.1% | 16.1% | 14.8% | 14.5% | 12.6% | 13.9% | - | - | - |
| Consumer | | | | | | | | | |
| External customers | 324,450 | 977,741 | 1,389,500 | 314,066 | 887,107 | 1,299,194 | +3.3% | +10.2% | +7.0% |
| Intersegment | 323 | 1,346 | 1,500 | 431 | 1,324 | 1,966 | -25.1% | +1.7% | -23.7% |
| Total sales | 324,773 | 979,087 | 1,391,000 | 314,497 | 888,431 | 1,301,160 | +3.3% | +10.2% | +6.9% |
| Operating profit | 58,777 | 173,043 | 245,000 | 51,579 | 108,349 | 183,492 | +14.0% | +59.7% | +33.5% |
| % of sales | 18.1% | 17.7% | 17.6% | 16.4% | 12.2% | 14.1% | - | - | - |
| Industry and Others | | | | | | | | | |
| External customers | 83,652 | 229,668 | 344,600 | 58,998 | 195,129 | 274,951 | +41.8% | +17.7% | +25.3% |
| Intersegment | 26,122 | 71,364 | 83,400 | 24,364 | 59,551 | 83,047 | +7.2% | +19.8% | +0.4% |
| Total sales | 109,774 | 301,032 | 428,000 | 83,362 | 254,680 | 357,998 | +31.7% | +18.2% | +19.6% |
| Operating profit | 4,392 | (3,987) | (2,000) | (17,197) | (40,996) | (75,956) | - | - | - |
| % of sales | 4.0% | -1.3% | -0.5% | -20.6% | -16.1% | -21.2% | - | - | - |
| Corporate and Eliminations | | | | | | | | | |
| External customers | - | - | - | - | - | - | - | - | - |

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| | | | | | | | | | |
|---------------------|----------|-----------|-----------|----------|-----------|-----------|--------|---------|--------|
| Intersegment | (28,311) | (79,076) | (92,600) | (27,180) | (67,913) | (95,033) | - | - | - |
| Total sales | (28,311) | (79,076) | (92,600) | (27,180) | (67,913) | (95,033) | - | - | - |
| Operating profit | (35,045) | (96,522) | (146,000) | (32,964) | (91,208) | (119,877) | - | - | - |
| Consolidated | | | | | | | | | |
| External customers | 913,151 | 2,639,035 | 3,710,000 | 774,324 | 2,255,143 | 3,209,201 | +17.9% | +17.0% | +15.6% |
| Intersegment | - | - | - | - | - | - | - | - | - |
| Total sales | 913,151 | 2,639,035 | 3,710,000 | 774,324 | 2,255,143 | 3,209,201 | +17.9% | +17.0% | +15.6% |
| Operating profit | 104,424 | 304,705 | 390,000 | 59,989 | 124,927 | 217,055 | +74.1% | +143.9% | +79.7% |
| % of sales | 11.4% | 11.5% | 10.5% | 7.7% | 5.5% | 6.8% | - | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

(Millions of yen)

| | 2010 | | Year (P) | 2009 | | Change year over year | | | |
|--|----------------|----------|-------------|----------------|----------|-----------------------|----------------|----------|----------|
| | 3rd quarter | YTD | | 3rd quarter | YTD | Year | 3rd quarter | YTD | Year |
| Interest and dividend, net | 1,337 | 3,127 | 4,400 | 950 | 3,520 | 4,866 | +387 | (393) | (466) |
| Forex gain / loss | 1,340 | 3,535 | 4,500 | 310 | (1,643) | 1,842 | +1,030 | +5,178 | +2,658 |
| Equity earnings / loss of affiliated companies | (1,853) | 11,022 | 11,000 | (109) | (12,122) | (12,649) | (1,744) | +23,144 | +23,649 |
| Other, net | 3,578 | (12,060) | (19,900) | 2,408 | 6,752 | 8,241 | +1,170 | (18,812) | (28,141) |
| Total | 4,402 | 5,624 | 0 | 3,559 | (3,493) | 2,300 | +843 | +9,117 | (2,300) |

(P)=Projection

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4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 3rd quarter | 2010 YTD | Year (P) | 3rd quarter | 2009 YTD | Year |
|----------------------------|----------------|-------------|-------------|----------------|-------------|------|
| Office | | | | | | |
| Monochrome copiers | 15% | 16% | 16% | 19% | 20% | 20% |
| Color copiers | 16% | 17% | 17% | 18% | 20% | 19% |
| Other printing devices | 50% | 51% | 49% | 56% | 52% | 53% |
| Others | 19% | 16% | 18% | 7% | 8% | 8% |
| Consumer | | | | | | |
| Cameras | 71% | 70% | 69% | 68% | 67% | 68% |
| Inkjet printers | 24% | 24% | 25% | 25% | 25% | 25% |
| Others | 5% | 6% | 6% | 7% | 8% | 7% |
| Industry and Others | | | | | | |
| Lithography equipment | 26% | 22% | 23% | 16% | 22% | 19% |
| Others | 74% | 78% | 77% | 84% | 78% | 81% |

(P)=Projection

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

| | 2010 | | |
|----------------------------|----------------|--------|-------------|
| | 3rd quarter | YTD | Year (P) |
| Office | | | |
| Japan | -0.8% | -0.5% | - |
| Overseas | +46.7% | +37.4% | - |
| Total | +35.7% | +28.1% | +27.7% |
| Consumer | | | |
| Japan | -5.9% | -2.4% | - |
| Overseas | +18.0% | +20.6% | - |
| Total | +14.0% | +16.7% | +14.4% |
| Industry and Others | | | |
| Japan | +9.3% | -3.1% | - |
| Overseas | +64.6% | +33.1% | - |
| Total | +34.5% | +19.6% | +21.2% |
| Total | | | |

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| | | | |
|-------------|--------|--------|--------|
| Japan | -1.2% | -1.4% | +0.6% |
| Overseas | +35.5% | +30.0% | +28.6% |
| Americas | +22.6% | +23.3% | +21.3% |
| Europe | +39.9% | +31.7% | +30.8% |
| Other areas | +46.8% | +36.9% | +35.5% |
| Total | +27.9% | +23.0% | +22.5% |

(P)=Projection

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Canon Inc.

6. PROFITABILITY

| | 2010 | | 2009 | |
|--------|------|----------|------|------|
| | YTD | Year (P) | YTD | Year |
| ROE *1 | 9.6% | 9.1% | 3.5% | 4.9% |
| ROA *2 | 6.5% | 6.2% | 2.4% | 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.

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

(Yen)

| | 3rd quarter | 2010 | | 2009 | |
|----------|-------------|-----------------|----------|-------------|--------|
| | | 4th quarter (P) | Year (P) | 3rd quarter | Year |
| Yen/US\$ | 85.79 | 80.00 | 86.69 | 93.46 | 93.21 |
| Yen/Euro | 110.61 | 115.00 | 116.32 | 133.60 | 130.46 |

(P)=Projection

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

(Billions of yen)

| | 2010 | |
|------------------|-------------|----------|
| | 3rd quarter | Year (P) |
| US\$ | (27.7) | (104.3) |
| Euro | (36.6) | (95.2) |
| Other currencies | (5.3) | (2.4) |
| Total | (69.6) | (201.9) |

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

| | 2010 |
|----------|-----------------|
| | 4th quarter (P) |
| On sales | |
| US\$ | 5.4 |

| | |
|---------------------|-----|
| Euro | 2.5 |
| On operating profit | |
| US\$ | 2.7 |
| Euro | 1.5 |

(P)=Projection

8. STATEMENTS OF CASH FLOWS

(Millions of yen)

| | 2010 | | 2009 | |
|--|-------------|-----------|-------------|-----------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| Net cash provided by operating activities | 170,852 | 675,000 | 185,826 | 611,235 |
| Net cash used in investing activities | (66,220) | (340,000) | (67,902) | (370,244) |
| Free cash flow | 104,632 | 335,000 | 117,924 | 240,991 |
| Net cash used in financing activities | (117,353) | (270,000) | (70,021) | (142,379) |
| Effect of exchange rate changes on cash and cash equivalents | 423 | (50,000) | (17,812) | 17,226 |
| Net change in cash and cash equivalents | (12,298) | 15,000 | 30,091 | 115,838 |
| Cash and cash equivalents at end of period | 759,399 | 810,000 | 633,656 | 795,034 |

(P)=Projection

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9. R&D EXPENDITURE (Millions of yen)

| | 2010 | | 2009 | |
|----------------------------|-------------|----------|-------------|---------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| Office | 23,789 | - | 18,580 | 78,872 |
| Consumer | 20,382 | - | 18,098 | 74,131 |
| Industry and Others | 5,360 | - | 6,234 | 23,300 |
| Corporate and Eliminations | 27,543 | - | 30,815 | 128,297 |
| Total | 77,074 | 315,000 | 73,727 | 304,600 |
| % of sales | 8.4% | 8.5% | 9.5% | 9.5% |

(P)=Projection

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

| | 2010 | | 2009 | |
|-------------------------------|-------------|----------|-------------|---------|
| | 3rd quarter | Year (P) | 3rd quarter | Year |
| Increase in PP&E | 32,417 | 190,000 | 35,996 | 216,128 |
| Depreciation and amortization | 72,065 | 290,000 | 79,525 | 315,393 |

(P)=Projection

11. INVENTORIES**(1) Inventories** (Millions of yen)

| | 2010 Sep.30 | 2009 Dec.31 | Difference |
|---------------------|----------------|----------------|------------|
| Office | 207,727 | 144,941 | +62,786 |
| Consumer | 142,344 | 113,975 | +28,369 |
| Industry and Others | 120,646 | 114,325 | +6,321 |
| Total | 470,717 | 373,241 | +97,476 |

(2) Inventories/Sales* (Days)

| | 2010 Sep.30 | 2009 Dec.31 | Difference |
|---------------------|----------------|----------------|------------|
| Office | 37 | 30 | +7 |
| Consumer | 38 | 29 | +9 |
| Industry and Others | 133 | 158 | (25) |
| Total | 46 | 39 | +7 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | 2010 Sep.30 | 2009 Dec.31 | Difference |
|---------------------------|----------------|----------------|------------|
| Total debt / Total assets | 0.3% | 0.3 % | 0.0% |

13. OVERSEAS PRODUCTION RATIO

| | 2010 YTD | 2009 Year |
|---------------------------|-------------|--------------|
| Overseas production ratio | 49% | 40 % |

14. NUMBER OF EMPLOYEES

| | 2010 Sep.30 | 2009 Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan | 72,792 | 73,635 | (843) |
| Overseas | 125,541 | 95,244 | +30,297 |
| Total | 198,333 | 168,879 | +29,454 |

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