

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
-

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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Tokyo 146-8501, Japan
Phone: +81-3-3758-2111

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.

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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.

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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**Results for the fourth quarter**

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.

Results for the fiscal year

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 |
|---|-----------------|----------------------------------|------------------|----------------------|---|-------------------|---|
| 08 | ¥ 174,762 | ¥ 403,790 | ¥ 53,706 | ¥ 2,876,576 | ¥ (292,820) | ¥ (556,222) | ¥ 2,659,792 |
| Controlling interests and other nc. stockholders | | 503 | | (135,793) | | | 503 (135,793) |
| rolling interests | | | 981 | (981) | | | - |
| | | | | 131,647 | | | 131,647 |
| me (loss), net of tax on adjustments | | | | | 33,340 | | 33,340 |
| esses on securities | | | | | 2,150 | | 2,150 |
| ivative instruments | | | | | (1,422) | | (1,422) |
| | | | | | (2,066) | | (2,066) |
| | | | | | | | 163,649 |
| | | | | (12) | | (30) | (42) |
| 09 | ¥ 174,762 | ¥ 404,293 | ¥ 54,687 | ¥ 2,871,437 | ¥ (260,818) | ¥ (556,252) | ¥ 2,688,109 |
| Controlling interests and nc. stockholders | | (3,787) | | (13,453) | (680) | 55,250 | 37,330 (136,103) |
| rolling interests | | | 3,243 | (3,243) | | | - |
| | | | | 246,603 | | | 246,603 |
| me (loss), net of tax on adjustments | | | | | (122,667) | | (122,667) |
| esses on securities | | | | | (222) | | (222) |
| ivative instruments | | | | | 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 | | | | | (1,514,407) | | (1,514,407) |
| on adjustments | | | | | (2,741) | | (2,741) |
| osses on securities | | | | | 10,284 | | 10,284 |
| ivative instruments | | | | | (85,247) | | (85,247) |
| ts | | | | | | | |
| 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 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

7. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| | 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 |

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 |

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| | | | |
|---------------------------------------|--------------------|-------------|----------|
| 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 |

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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 |

| Sales by region | Millions of yen | | |
|-------------------------|---------------------------------------|------------------------------------|-----------|
| | 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 |

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CANON INC.

NON-CONSOLIDATED

13. NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Parent company only)

ed December 31, 2010

(Millio

| Stockholders equity | | | | | | | | | | Valuation and translation adjustments | | |
|---------------------|----------------------------|-----------------------|---------------|--|--------------------------------------|------------------|-------------------|----------------|---------------------------|---|---|-------------------------------|
| Common stock | 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 |
| | Additional paid-in capital | Other capital surplus | Legal reserve | Reserve for special depreciation on property | Reserve for deferral of capital gain | Special reserves | Retained earnings | | | | | |
| | | | | | | | | | | | | |
| ¥ 174,762 | ¥ 306,288 | -¥ 22,114 | ¥ 1,566 | ¥ 2,701 | ¥ 1,249,928 | ¥ 609,793 | ¥ (556,252) | ¥ 1,810,900 | ¥ 1,384 | ¥ (376) | ¥ 810 | |
| | | | 83 | | | (83) | | - | | | | |
| | | | (853) | | | 853 | | - | | | | |
| | | | | 304 | | (304) | | 0 | | | | |
| | | | | (92) | | 92 | | 0 | | | | |
| | | | | | | (136,103) | | (136,103) | | | | |
| | | | | | | 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 |

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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 | | |
| Common stock | Additional paid-in capital | Other capital surplus | Legal reserve | Reserve for special depreciation | deferral of capital gain on property | Special reserves | Retained earnings | Treasury stock | Total stockholders equity | Net unrealized gains (losses) on securities | Deferred profits on hedges | Subscription rights to shares |
| 31, ¥ 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.

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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) |
|---|----------------|--|

(2) Candidates for Director to be promoted

| | | |
|--------------------------|---------------------|---|
| Senior Managing Director | Shigeyuki Matsumoto | (Managing Director, Group Executive of Device Technology Development Headquarters) |
|--------------------------|---------------------|---|

(3) Candidates for new Directors to be appointed

| | |
|---------------|---|
| Yasuhiro Tani | (Executive Officer, Group Executive of Digital Platform Technology Development Headquarters) |
|---------------|---|

| | |
|--------------|---|
| Makoto Araki | (Executive Officer, Group Executive of Information & Communication Systems Headquarters) |
|--------------|---|

Executive Officers

(1) Candidates for new Executive Officers

| | |
|-----------------|--|
| Akiyoshi Kimura | (Group Executive of OIP Production System Group) |
|-----------------|--|

| | |
|--------------|----------------------------------|
| Kazuto Ogawa | (President of Canon Canada Inc.) |
|--------------|----------------------------------|

| | |
|--------------|--|
| Naoji Otsuka | (Group Executive of Inkjet Products Development Group) |
|--------------|--|

| | |
|-----------------|---|
| Kenji Kobayashi | (President of Canon Australia Pty Ltd.) |
|-----------------|---|

| | |
|-----------------|--|
| Ryuichi Ebinuma | (Group Executive of Core Technology Development Group) |
|-----------------|--|

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Canon Inc.
January 27, 2011

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

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 |

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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

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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

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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

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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 |