

CANON INC  
Form 6-K  
October 26, 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 . **October** , 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      **X**      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      **X**

[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 25, 2011** .

By /s/ Masashiro Kobayashi  
(Signature)\*

Masashiro Kobayashi  
Deputy Senior General Manager  
Global Finance Accounting 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 THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2011

# CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2011

October 25, 2011

## CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

|                                       | Three months ended<br>September 30, 2011 | Three months ended<br>September 30, 2010 | Actual<br>Change(%) | Three months ended<br>September 30, 2011 |
|---------------------------------------|------------------------------------------|------------------------------------------|---------------------|------------------------------------------|
| Net sales                             | ¥ 916,911                                | ¥ 913,151                                | + 0.4               | \$ 11,907,935                            |
| Operating profit                      | 122,548                                  | 104,424                                  | + 17.4              | 1,591,532                                |
| Income before income taxes            | 118,265                                  | 108,826                                  | + 8.7               | 1,535,909                                |
| Net income attributable to Canon Inc. | ¥ 77,864                                 | ¥ 68,195                                 | + 14.2              | \$ 1,011,221                             |

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

|           |         |         |        |         |
|-----------|---------|---------|--------|---------|
| - Basic   | ¥ 64.43 | ¥ 55.07 | + 17.0 | \$ 0.84 |
| - Diluted | 64.42   | 55.07   | + 17.0 | 0.84    |

## CONSOLIDATED RESULTS FOR THE NINE MONTHS

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

|                                       | Nine months ended<br>September 30, 2011 | Nine months ended<br>September 30, 2010 | Actual<br>Change(%) | Nine months ended<br>September 30, 2011 | Projected<br>Year ending December 31, 2011 | Change(%) |
|---------------------------------------|-----------------------------------------|-----------------------------------------|---------------------|-----------------------------------------|--------------------------------------------|-----------|
| Net sales                             | ¥ 2,592,676                             | ¥ 2,639,035                             | - 1.8               | \$ 33,671,117                           | ¥ 3,650,000                                | - 1.5     |
| Operating profit                      | 283,461                                 | 304,705                                 | - 7.0               | 3,681,312                               | 360,000                                    | - 7.1     |
| Income before income taxes            | 281,924                                 | 310,329                                 | - 9.2               | 3,661,351                               | 350,000                                    | - 10.9    |
| Net income attributable to Canon Inc. | ¥ 187,187                               | ¥ 192,644                               | - 2.8               | \$ 2,431,000                            | ¥ 230,000                                  | - 6.7     |

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

|           |          |          |       |         |          |       |
|-----------|----------|----------|-------|---------|----------|-------|
| - Basic   | ¥ 153.42 | ¥ 155.79 | - 1.5 | \$ 1.99 | ¥ 191.43 | - 4.1 |
| - Diluted | 153.41   | 155.79   | - 1.5 | 1.99    | -        | -     |

|  | As of<br>September 30, 2011 | Actual<br>As of<br>September 31, 2010 | Change(%) | As of<br>September 30, 2011 |
|--|-----------------------------|---------------------------------------|-----------|-----------------------------|
|--|-----------------------------|---------------------------------------|-----------|-----------------------------|

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|                                        |                    |   |           |   |     |    |                   |
|----------------------------------------|--------------------|---|-----------|---|-----|----|-------------------|
| <b>Total assets</b>                    | <b>¥ 3,910,019</b> | ¥ | 3,983,820 | - | 1.9 | \$ | <b>50,779,468</b> |
| <b>Canon Inc. stockholders' equity</b> | <b>¥ 2,521,160</b> | ¥ | 2,645,782 | - | 4.7 | \$ | <b>32,742,338</b> |

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 JPY77=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2011, solely for the convenience of the reader.

Canon Inc.  
Headquarter office

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Phone: +81-3-3758-2111

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# I. Operating Results and Financial Conditions

## 2011 Third Quarter in Review

Looking back at the global economy in the third quarter of 2011, the pace of economic recovery further decelerated due to downward pressure on the economies of Europe and the United States. In the United States, a lack of progress in alleviating the high unemployment rate and housing problems led to a decline in the growth rate, while in Europe, as the peripheral countries confront the debt crisis, the major economies of the region also slowed down. In contrast, emerging Asian countries, such as China and India, continued to achieve solid economic growth fueled by stable domestic demand. In Japan, although the economy continued to face severe challenges, progress was made in restoring the supply chain and indications pointed to a recovery in production in the aftermath of the Great East Japan Earthquake.

As for the markets in which Canon operates amid these conditions, within the office equipment market, demand for network digital multifunction devices (MFDs) continued to recover moderately. The laser printer market continued to display solid growth boosted by emerging economies. With regard to the consumer products market, demand for digital single-lens reflex (SLR) cameras maintained significant growth in all regions, while the market for compact digital cameras grew steadily in emerging markets. Demand for inkjet printers achieved healthy growth in emerging markets and a recovery of demand was also felt in Japan, resulting in stable growth overall. In the industry and others sector, investment in semiconductor lithography equipment used to manufacture DRAM memory devices was partially restrained due to a slowdown in the PC market. Despite solid growth in liquid crystal display (LCD) lithography equipment for the manufacture of mid- and small-size LCD panels used in smartphones, demand for equipment used to manufacture large LCD panels has remained sluggish since the beginning of the year.

The average values of the yen during the third quarter and first nine months of the year were ¥77.75 and ¥80.39 to the U.S. dollar, respectively, year-on-year appreciations of approximately ¥8 and ¥9, and ¥109.98 and ¥113.23 to the euro, respectively, year-on-year appreciations of approximately ¥1 and ¥3.

In the third quarter, owing to recovery efforts following the earthquake through increased production and expanded sales, net sales of digital SLR cameras recorded significant year-on-year growth. As for network digital MFDs and laser printers, despite the signs of recovery from the previous quarter, third-quarter net sales declined from the year-ago period. Additionally, the Industry and Others Business Unit recorded an increase in net sales during the three-month period. Amid the impact of the strong yen against the U.S. dollar, which led to significantly reduced sales, overall net sales for the third quarter totaled ¥916.9 billion (U.S.\$11,908 million), an increase of 0.4% from the year-ago period. Net sales for the nine months ended September 30, 2011 totaled ¥2,592.7 billion (U.S.\$33,671 million), slipping 1.8% year on year, reflecting the effects of the earthquake in the first half of the year. The gross profit ratio for the third quarter improved by 0.5 points to 49.4%, thanks to ongoing cost-cutting efforts that absorbed the impact of the appreciation of the yen to the U.S. dollar, while the ratio for the first nine months of the year rose 0.4 points to 49.3%. Gross profit for the third quarter totaled ¥452.5 billion (U.S.\$5,877 million), a year-on-year increase of 1.3%, and totaled ¥1,277.2 billion (U.S.\$16,588 million) for the first nine months, a year-on-year decline of 1.1%, due to reduced sales. Operating expenses decreased by ¥12.5 billion (U.S.\$163 million) for the quarter owing to Group-wide efforts to thoroughly reduce spending. For the nine months ended September 30, 2011, however, the amount increased by ¥7.6 billion (U.S.\$99 million), mainly stemming from the effects of new consolidation arising from the acquisition of Océ N.V. in the previous year. Consequently, third-quarter operating profit totaled ¥122.5 billion (U.S.\$1,592 million), jumping 17.4% year on year, income before income taxes totaled ¥118.3 billion (U.S.\$1,536 million), an increase of 8.7% from the year-ago period, and net income attributable to Canon Inc. totaled ¥77.9 billion (U.S.\$1,011 million) for the quarter, an increase of 14.2%, achieving year-on-year increases in both sales and profit for the first time in four quarters. As for the first nine months of the year, operating profit decreased by 7.0% to ¥283.5 billion (U.S.\$3,681 million), income before income taxes declined 9.2% to ¥281.9 billion (U.S.\$3,661 million), and net income attributable to Canon Inc. dipped 2.8% to ¥187.2 billion (U.S.\$2,431 million).

Basic net income attributable to Canon Inc. stockholders per share for the third quarter was ¥64.43 (U.S.\$0.84), an increase of ¥9.36 (U.S.\$0.12) compared with the corresponding quarter for the previous year, and ¥153.42 (U.S.\$1.99) for the first nine months of 2011, a year-on-year decrease of ¥2.37 (U.S.\$0.03).

## Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, amid stable demand for color network digital MFDs, particularly the imageRUNNER ADVANCE C5000/C2000-series, efforts to restore production following the earthquake led to a year-on-year increase in overall sales volumes. In addition, sales of imagePRESS C7010VPS/C6010VPS/C6010S-series color MFDs for production printing, which were launched in March this year and are the first products to be jointly developed by Canon and Océ, gained momentum and contributed to increased unit sales of digital commercial printing and production printing devices for corporate clients. As for laser printers, hearty demand centered on emerging countries boosted unit sales volume, mainly for monochrome models, resulting in nearly double-digit growth compared with the corresponding period of the previous year. These performances, however, were affected by the appreciation of the yen against the U.S. dollar along with a shift in demand to lower-priced products. As a result, third-quarter sales for the segment dropped 6.7% year on year to ¥472.9 billion (U.S.\$6,142 million), while operating profit for the quarter decreased 11.2% to ¥67.8 billion (U.S.\$880 million) due to the appreciation of the yen against the U.S. dollar along with the decline in gross profit accompanying reduced sales. Sales for the first nine months of the year totaled ¥1,419.6 billion (U.S.\$18,436 million), slipping 1.3% year on year, while operating profit decreased by 17.9% to ¥190.7 billion (U.S.\$2,476 million).

Within the Consumer Business Unit, active efforts to boost production and expand sales in response to robust demand for digital SLR cameras resulted in significant increases in sales volumes over the corresponding year-ago period for such models as the entry-level EOS Rebel T3i/T2i/T3 and the advanced-amateur EOS 5D Mark II and EOS 60D. As for compact digital cameras, sales of the PowerShot ELPH 100 HS/300 HS and PowerShot SX230 HS, which were launched this spring, remained solid while sales of the PowerShot ELPH 310 HS introduced in September recorded a healthy start, resulting in a year-on-year increase of unit sales overall. With regard to inkjet printers, despite the impact of severe price competition among market players in Europe and elsewhere, unit sales increased year on year, fueled by sales growth for the mid- to high-end PIXMA MG6220/6120/5120, mainly in Japan, and for the entry-level PIXMA MP280, mainly in emerging markets. Accordingly, amid the effects of the strong yen to the U.S. dollar, third-quarter sales for the Consumer Business Unit increased 7.0% year on year to ¥347.4 billion (U.S.\$4,512 million), and quarterly operating profit climbed 27.9% to ¥75.2 billion (U.S.\$976 million), reflecting the effects of increased sales along with cost-reduction and expense-cutting efforts. Having not fully recovered from the negative effects of the earthquake in the first half and the impact of the appreciation of the yen, net sales for the first nine months totaled ¥939.3 billion (U.S.\$12,198 million), a decline of 4.1% year on year, while operating profit totaled ¥160.4 billion (U.S.\$2,083 million), a decrease of 7.3% year on year.

In the Industry and Others Business Unit, owing to active investment in semiconductor lithography equipment for the manufacture of NAND flash memories and digital-imaging sensors, which are used in smartphones, and power devices utilized in environmentally friendly products, sales of i-line steppers remained solid. Unit sales of LCD lithography equipment dropped substantially in the face of shrinking demand for equipment to produce large-size panels, an area in which Canon is particularly strong. In addition to these factors, sales of equipment used to manufacture organic light-emitting panels, which applies vacuum technologies and is sold by a Canon Group company, increased significantly, contributing to third-quarter sales for the segment, which totaled ¥123.8 billion (U.S.\$1,608 million), an increase of 12.8%. Operating profit was ¥9.1 billion (U.S.\$118 million), a surge of 106.9%, owing to the improved gross profit ratio along with efforts to curb expenses. Sales for the first nine months of the year totaled ¥306.8 billion (U.S.\$3,985 million), rising 1.9% year on year, while operating profit was ¥20.5 billion (U.S.\$267 million).

## Cash Flow

During the first nine months of 2011, cash flow from operating activities totaled ¥342.6 billion (U.S.\$4,449 million), a decrease of ¥176.8 billion (U.S.\$2,297 million) compared with the year-ago period, as the amounts of accounts payable and accrued income tax increased in the previous year amid the recovery following the collapse of Lehman Brothers. Cash out flow from investing activities decreased ¥41.2 billion (U.S.\$535 million) year on year, mainly as a result of corporate acquisition activities implemented in the year-ago period, totaling ¥202.0 billion (U.S.\$2,623 million). Accordingly, free cash flow totaled ¥140.6 billion (U.S.\$1,826 million), a decrease of ¥135.6 billion (U.S.\$1,762 million) from the corresponding period of the previous year.

Cash flow from financing activities recorded an outlay of ¥251.6 billion (U.S.\$3,267 million), mainly arising from the dividend payout and repurchases of treasury stock. This, along with the negative impact of foreign currency translation adjustments, resulted in cash and cash equivalents of ¥711.6 billion (U.S.\$9,242 million), a decrease of ¥128.9 billion (U.S.\$1,675 million) year on year.

## Outlook

As for the outlook in the fourth quarter of 2011, the global economy is expected to realize low growth and also faces increasing downward risks due to public finance and financial market problems. Amid lingering concerns over high unemployment and housing issues in the United States, coupled with the debt crisis in Europe, the pace of recovery in these economies is expected to be weak. As for emerging economies such as China and India, which are expected to continue enjoying robust growth, there is concern over weakening export growth to Europe and the United States and the economic impact of tighter financial measures. Despite signs of recovery in Japan following the earthquake, the negative effects of the current historically strong yen on exports and the impact on production activities are expected to continue to have a negative influence on the Japanese economy.

In the businesses in which Canon is involved, within the office equipment market, demand for such products as network digital MFDs is anticipated to recover modestly. Although the slowdown in European economies and the United States is cause for concern, overall demand for laser printers is growing steadily. With regard to the consumer products market, demand for digital SLR cameras is expected to achieve robust growth. Amid the slowed growth for compact digital cameras due to weak consumer spending in developed countries, demand in emerging markets continues to grow steadily. Despite the fierce price competition within the inkjet printer segment, which is expected to continue, demand is projected to grow steadily. However, due to the floods in Thailand in this month, the company anticipates delays in production for select inkjet printer and digital camera products. In the industry and others market, although chip manufacturers are expected to further curb investment in semiconductor lithography equipment for the manufacture of DRAM memory devices, solid demand is projected for i-line steppers, a segment in which Canon excels. Demand for LCD lithography equipment targeting mid- and small-size LCD panels is also expected to grow in contrast to the sluggish demand for lithography equipment targeting large-size panels.

With regard to currency exchange rates for the last quarter in 2011, on which Canon's performance outlook is based, despite the uncertain prospects of the current historically strong yen amid the instability in financial markets, Canon anticipates exchange rates for the period of ¥77 to the U.S. dollar and ¥105 to the euro. The annual average exchange rates are ¥79.41 to the U.S. dollar and ¥110.83 to the euro, representing appreciation of approximately ¥8 against the U.S. dollar and ¥4 against the euro compared with the annual average rates for the previous year.

Upon taking into consideration the abovementioned foreign exchange rate assumptions along with the current economic forecasts and market prospects, and incorporating the predicted impact of the floods in Thailand, Canon projects full-year consolidated net sales of ¥3,650.0 billion (U.S.\$47,403 million), a year-on-year decrease of 1.5%; operating profit of ¥360.0 billion (U.S.\$4,675 million), a year-on-year decrease of 7.1%; income before income taxes of ¥350.0 billion (U.S.\$4,545 million), a year-on-year decrease of 10.9%; and net income attributable to Canon Inc. of ¥230.0 billion (U.S.\$2,987 million), a year-on-year decrease of 6.7%.

## Consolidated Outlook

### Fiscal year

|                                       | Millions of yen                  |                     |             |                                 |             |            |
|---------------------------------------|----------------------------------|---------------------|-------------|---------------------------------|-------------|------------|
|                                       | Year ending<br>December 31, 2011 |                     | Change      | Year ended<br>December 31, 2010 |             | Change (%) |
|                                       | Previous Outlook (A)             | Revised Outlook (B) | (B - A)     | Results (C)                     | (B - C) / C |            |
| Net sales                             | ¥ 3,780,000                      | ¥ 3,650,000         | ¥ (130,000) | ¥ 3,706,901                     | -1.5%       |            |
| Operating profit                      | 380,000                          | 360,000             | (20,000)    | 387,552                         | -7.1%       |            |
| Income before income taxes            | 380,000                          | 350,000             | (30,000)    | 392,863                         | -10.9%      |            |
| Net income attributable to Canon Inc. | ¥ 260,000                        | ¥ 230,000           | ¥ (30,000)  | ¥ 246,603                       | -6.7%       |            |

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, plan, project or 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

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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**

|                                                        | \$50,779,468          | \$50,779,468             | \$50,779,468 | \$50,779,468                          |
|--------------------------------------------------------|-----------------------|--------------------------|--------------|---------------------------------------|
|                                                        | As of                 | Millions of yen<br>As of | Change       | Thousands of<br>U.S. dollars<br>As of |
|                                                        | September 30,<br>2011 | December 31,<br>2010     |              | September 30,<br>2011                 |
| <b>ASSETS</b>                                          |                       |                          |              |                                       |
| Current assets:                                        |                       |                          |              |                                       |
| Cash and cash equivalents                              | ¥ 711,631             | ¥ 840,579                | ¥ (128,948)  | \$ 9,241,961                          |
| Short-term investments                                 | 146,447               | 96,815                   | 49,632       | 1,901,909                             |
| Trade receivables, net                                 | 480,436               | 557,504                  | (77,068)     | 6,239,429                             |
| Inventories                                            | 518,039               | 384,777                  | 133,262      | 6,727,779                             |
| Prepaid expenses and other current assets              | 266,208               | 250,754                  | 15,454       | 3,457,247                             |
| Total current assets                                   | 2,122,761             | 2,130,429                | (7,668)      | 27,568,325                            |
| Noncurrent receivables                                 | 16,811                | 16,771                   | 40           | 218,325                               |
| Investments                                            | 56,531                | 81,529                   | (24,998)     | 734,169                               |
| Property, plant and equipment, net                     | 1,188,765             | 1,201,968                | (13,203)     | 15,438,506                            |
| Intangible assets, net                                 | 139,497               | 153,021                  | (13,524)     | 1,811,649                             |
| Other assets                                           | 385,654               | 400,102                  | (14,448)     | 5,008,494                             |
| Total assets                                           | ¥ 3,910,019           | ¥ 3,983,820              | ¥ (73,801)   | \$ 50,779,468                         |
| <b>LIABILITIES AND EQUITY</b>                          |                       |                          |              |                                       |
| Current liabilities:                                   |                       |                          |              |                                       |
| Short-term loans and current portion of long-term debt | ¥ 11,877              | ¥ 7,200                  | ¥ 4,677      | \$ 154,247                            |
| Trade payables                                         | 423,347               | 383,251                  | 40,096       | 5,498,013                             |
| Accrued income taxes                                   | 68,345                | 72,482                   | (4,137)      | 887,597                               |
| Accrued expenses                                       | 308,843               | 299,710                  | 9,133        | 4,010,948                             |
| Other current liabilities                              | 146,014               | 134,298                  | 11,716       | 1,896,286                             |
| Total current liabilities                              | 958,426               | 896,941                  | 61,485       | 12,447,091                            |
| Long-term debt, excluding current installments         | 4,954                 | 4,131                    | 823          | 64,338                                |
| Accrued pension and severance cost                     | 192,353               | 197,609                  | (5,256)      | 2,498,091                             |
| Other noncurrent liabilities                           | 69,529                | 75,502                   | (5,973)      | 902,974                               |
| Total liabilities                                      | 1,225,262             | 1,174,183                | 51,079       | 15,912,494                            |
| Equity:                                                |                       |                          |              |                                       |
| Canon Inc. stockholders' equity:                       |                       |                          |              |                                       |
| Common stock                                           | 174,762               | 174,762                  | -            | 2,269,636                             |
| Additional paid-in capital                             | 401,410               | 400,425                  | 985          | 5,213,117                             |
| Legal reserve                                          | 58,988                | 57,930                   | 1,058        | 766,078                               |
| Retained earnings                                      | 2,998,013             | 2,965,237                | 32,776       | 38,935,234                            |
| Accumulated other comprehensive income (loss)          | (450,172)             | (390,459)                | (59,713)     | (5,846,390)                           |
| Treasury stock, at cost                                | (661,841)             | (562,113)                | (99,728)     | (8,595,337)                           |

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|                                       |                    |             |            |                      |
|---------------------------------------|--------------------|-------------|------------|----------------------|
| Total Canon Inc. stockholders' equity | <b>2,521,160</b>   | 2,645,782   | (124,622)  | <b>32,742,338</b>    |
| Noncontrolling interests              | <b>163,597</b>     | 163,855     | (258)      | <b>2,124,636</b>     |
| Total equity                          | <b>2,684,757</b>   | 2,809,637   | (124,880)  | <b>34,866,974</b>    |
| Total liabilities and equity          | <b>¥ 3,910,019</b> | ¥ 3,983,820 | ¥ (73,801) | <b>\$ 50,779,468</b> |

|                                                   | Millions of yen                   |                               | Thousands of U.S. dollars         |
|---------------------------------------------------|-----------------------------------|-------------------------------|-----------------------------------|
|                                                   | As of<br>September<br>30,<br>2011 | As of<br>December 31,<br>2010 | As of<br>September<br>30,<br>2011 |
| Notes:                                            |                                   |                               |                                   |
| 1. Allowance for doubtful receivables             | <b>¥ 11,880</b>                   | ¥ 14,920                      | <b>\$ 154,286</b>                 |
| 2. Accumulated depreciation                       | <b>2,034,757</b>                  | 1,909,703                     | <b>26,425,416</b>                 |
| 3. Accumulated other comprehensive income (loss): |                                   |                               |                                   |
| Foreign currency translation adjustments          | <b>(383,160)</b>                  | (325,612)                     | <b>(4,976,104)</b>                |
| Net unrealized gains and losses on securities     | <b>(1,034)</b>                    | 3,020                         | <b>(13,429)</b>                   |
| Net gains and losses on derivative instruments    | <b>2,042</b>                      | 917                           | <b>26,519</b>                     |
| Pension liability adjustments                     | <b>(68,020)</b>                   | (68,784)                      | <b>(883,376)</b>                  |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOMEResults for the third quarter

|                                                           | Millions of yen                             |                                             | Change(%) |      | Thousands of<br>U.S. dollars                |
|-----------------------------------------------------------|---------------------------------------------|---------------------------------------------|-----------|------|---------------------------------------------|
|                                                           | Three months<br>ended<br>September 30, 2011 | Three months<br>ended<br>September 30, 2010 |           |      | Three months<br>ended<br>September 30, 2011 |
| Net sales                                                 | ¥ 916,911                                   | ¥ 913,151                                   | +         | 0.4  | \$ 11,907,935                               |
| Cost of sales                                             | 464,405                                     | 466,240                                     |           |      | 6,031,234                                   |
| Gross profit                                              | 452,506                                     | 446,911                                     | +         | 1.3  | 5,876,701                                   |
| Operating expenses:                                       |                                             |                                             |           |      |                                             |
| Selling, general and administrative expenses              | 251,974                                     | 265,413                                     |           |      | 3,272,390                                   |
| Research and development expenses                         | 77,984                                      | 77,074                                      |           |      | 1,012,779                                   |
|                                                           | 329,958                                     | 342,487                                     |           |      | 4,285,169                                   |
| Operating profit                                          | 122,548                                     | 104,424                                     | +         | 17.4 | 1,591,532                                   |
| Other income (deductions):                                |                                             |                                             |           |      |                                             |
| Interest and dividend income                              | 2,056                                       | 1,544                                       |           |      | 26,701                                      |
| Interest expense                                          | (155)                                       | (207)                                       |           |      | (2,013)                                     |
| Other, net                                                | (6,184)                                     | 3,065                                       |           |      | (80,311)                                    |
|                                                           | (4,283)                                     | 4,402                                       |           |      | (55,623)                                    |
| Income before income taxes                                | 118,265                                     | 108,826                                     | +         | 8.7  | 1,535,909                                   |
| Income taxes                                              | 39,733                                      | 39,904                                      |           |      | 516,013                                     |
| Consolidated net income                                   | 78,532                                      | 68,922                                      |           |      | 1,019,896                                   |
| Less: Net income attributable to noncontrolling interests | 668                                         | 727                                         |           |      | 8,675                                       |
| Net income attributable to Canon Inc.                     | ¥ 77,864                                    | ¥ 68,195                                    | +         | 14.2 | \$ 1,011,221                                |

Note: Consolidated comprehensive loss for the three months ended September 30, 2011 was JPY 1,723 million (U.S.\$ 22,377 thousand) and consolidated comprehensive income for the three months ended September 30, 2010 was JPY 52,105 million.

Results for the nine months

|               | Millions of yen                               |                                            | Change(%) |     | Thousands of<br>U.S. dollars               |
|---------------|-----------------------------------------------|--------------------------------------------|-----------|-----|--------------------------------------------|
|               | Nine<br>months<br>ended<br>September 30, 2011 | Nine months<br>ended<br>September 30, 2010 |           |     | Nine months<br>ended<br>September 30, 2011 |
| Net sales     | ¥ 2,592,676                                   | ¥ 2,639,035                                | -         | 1.8 | \$ 33,671,117                              |
| Cost of sales | 1,315,434                                     | 1,348,193                                  |           |     | 17,083,559                                 |
| Gross profit  | 1,277,242                                     | 1,290,842                                  | -         | 1.1 | 16,587,558                                 |

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|                                                           |                  |           |   |     |                     |
|-----------------------------------------------------------|------------------|-----------|---|-----|---------------------|
| Operating expenses:                                       |                  |           |   |     |                     |
| Selling, general and administrative expenses              | <b>769,623</b>   | 756,238   |   |     | <b>9,995,103</b>    |
| Research and development expenses                         | <b>224,158</b>   | 229,899   |   |     | <b>2,911,143</b>    |
|                                                           | <b>993,781</b>   | 986,137   |   |     | <b>12,906,246</b>   |
| Operating profit                                          | <b>283,461</b>   | 304,705   | - | 7.0 | <b>3,681,312</b>    |
| Other income (deductions):                                |                  |           |   |     |                     |
| Interest and dividend income                              | <b>5,816</b>     | 4,287     |   |     | <b>75,532</b>       |
| Interest expense                                          | <b>(827)</b>     | (1,160)   |   |     | <b>(10,740)</b>     |
| Other, net                                                | <b>(6,526)</b>   | 2,497     |   |     | <b>(84,753)</b>     |
|                                                           | <b>(1,537)</b>   | 5,624     |   |     | <b>(19,961)</b>     |
| Income before income taxes                                | <b>281,924</b>   | 310,329   | - | 9.2 | <b>3,661,351</b>    |
| Income taxes                                              | <b>91,992</b>    | 113,879   |   |     | <b>1,194,702</b>    |
| Consolidated net income                                   | <b>189,932</b>   | 196,450   |   |     | <b>2,466,649</b>    |
| Less: Net income attributable to noncontrolling interests | <b>2,745</b>     | 3,806     |   |     | <b>35,649</b>       |
| Net income attributable to Canon Inc.                     | <b>¥ 187,187</b> | ¥ 192,644 | - | 2.8 | <b>\$ 2,431,000</b> |

Note: Consolidated comprehensive income for the nine months ended September 30, 2011 and 2010 was JPY 130,161 million (U.S.\$ 1,690,403 thousand) and JPY 104,852 million, respectively.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALESResults for the third quarter

| Sales by business unit | Millions of yen                                   |                                                |           |      | Thousands of<br>U.S. dollars                   |
|------------------------|---------------------------------------------------|------------------------------------------------|-----------|------|------------------------------------------------|
|                        | Three<br>months<br>ended<br>September<br>30, 2011 | Three months<br>ended<br>September 30,<br>2010 | Change(%) |      | Three months<br>ended<br>September 30,<br>2011 |
| Office                 | ¥ 472,941                                         | ¥ 506,915                                      | -         | 6.7  | \$ 6,142,091                                   |
| Consumer               | 347,442                                           | 324,773                                        | +         | 7.0  | 4,512,234                                      |
| Industry and Others    | 123,784                                           | 109,774                                        | +         | 12.8 | 1,607,584                                      |
| Eliminations           | (27,256)                                          | (28,311)                                       | -         | -    | (353,974)                                      |
| Total                  | ¥ 916,911                                         | ¥ 913,151                                      | +         | 0.4  | \$ 11,907,935                                  |

| Sales by region  | Millions of yen                                   |                                                |           |     | Thousands of<br>U.S. dollars                   |
|------------------|---------------------------------------------------|------------------------------------------------|-----------|-----|------------------------------------------------|
|                  | Three<br>months<br>ended<br>September<br>30, 2011 | Three months<br>ended<br>September 30,<br>2010 | Change(%) |     | Three months<br>ended<br>September 30,<br>2011 |
| Japan            | ¥ 169,526                                         | ¥ 159,919                                      | +         | 6.0 | \$ 2,201,636                                   |
| Overseas:        |                                                   |                                                |           |     |                                                |
| Americas         | 240,598                                           | 246,695                                        | -         | 2.5 | 3,124,649                                      |
| Europe           | 273,823                                           | 288,012                                        | -         | 4.9 | 3,556,143                                      |
| Asia and Oceania | 232,964                                           | 218,525                                        | +         | 6.6 | 3,025,507                                      |
|                  | 747,385                                           | 753,232                                        | -         | 0.8 | 9,706,299                                      |
| Total            | ¥ 916,911                                         | ¥ 913,151                                      | +         | 0.4 | \$ 11,907,935                                  |

Results for the nine months

| Sales by business unit | Millions of yen                                  |                                               |           |     | Thousands of<br>U.S. dollars                  |
|------------------------|--------------------------------------------------|-----------------------------------------------|-----------|-----|-----------------------------------------------|
|                        | Nine<br>months<br>ended<br>September<br>30, 2011 | Nine months<br>ended<br>September 30,<br>2010 | Change(%) |     | Nine months<br>ended<br>September 30,<br>2011 |
| Office                 | ¥ 1,419,602                                      | ¥ 1,437,992                                   | -         | 1.3 | \$ 18,436,390                                 |
| Consumer               | 939,279                                          | 979,087                                       | -         | 4.1 | 12,198,429                                    |
| Industry and Others    | 306,833                                          | 301,032                                       | +         | 1.9 | 3,984,844                                     |
| Eliminations           | (73,038)                                         | (79,076)                                      | -         | -   | (948,546)                                     |
| Total                  | ¥ 2,592,676                                      | ¥ 2,639,035                                   | -         | 1.8 | \$ 33,671,117                                 |

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| Sales by region  | Millions of yen         |                      |           |     | Thousands of<br>U.S. dollars |
|------------------|-------------------------|----------------------|-----------|-----|------------------------------|
|                  | Nine<br>months<br>ended | Nine months<br>ended | Change(%) |     | Nine months<br>ended         |
|                  | September 30, 2011      | September 30, 2010   |           |     | September 30, 2011           |
| Japan            | ¥ 493,130               | ¥ 497,580            | -         | 0.9 | \$ 6,404,286                 |
| Overseas:        |                         |                      |           |     |                              |
| Americas         | 687,651                 | 721,189              | -         | 4.7 | 8,930,532                    |
| Europe           | 822,417                 | 829,659              | -         | 0.9 | 10,680,740                   |
| Asia and Oceania | 589,478                 | 590,607              | -         | 0.2 | 7,655,559                    |
|                  | 2,099,546               | 2,141,455            | -         | 2.0 | 27,266,831                   |
| Total            | ¥ 2,592,676             | ¥ 2,639,035          | -         | 1.8 | \$ 33,671,117                |

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

Office: Office network digital multifunction devices (MFDs) / Color network digital MFDs / Personal-use network digital MFDs / Office copying machines / Full-color copying machines / Personal-use copying machines / Laser printers / Large format inkjet printers / Digital production printers

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

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

2. The principal countries and regions included in each regional category are as follows:

Americas: United States of America, Canada, Latin American countries / Europe: United Kingdom, Germany, France, Netherlands / Asia and Oceania: China, Asian countries, Australia

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

**4. CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                                                | Millions of yen                            |                                            | Thousands of<br>U.S. dollars               |
|------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
|                                                                                                | Nine months<br>ended<br>September 30, 2011 | Nine months<br>ended<br>September 30, 2010 | Nine months<br>ended<br>September 30, 2011 |
| Cash flows from operating activities:                                                          |                                            |                                            |                                            |
| Consolidated net income                                                                        | ¥ 189,932                                  | ¥ 196,450                                  | \$ 2,466,649                               |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                                            |                                            |                                            |
| Depreciation and amortization                                                                  | 190,528                                    | 198,033                                    | 2,474,390                                  |
| Loss on disposal of fixed assets                                                               | 6,946                                      | 8,240                                      | 90,208                                     |
| Deferred income taxes                                                                          | (8,017)                                    | 3,588                                      | (104,117)                                  |
| Decrease in trade receivables                                                                  | 62,847                                     | 26,584                                     | 816,195                                    |
| Increase in inventories                                                                        | (151,547)                                  | (93,981)                                   | (1,968,143)                                |
| Increase in trade payables                                                                     | 71,560                                     | 110,507                                    | 929,351                                    |
| Increase (decrease) in accrued income taxes                                                    | (3,242)                                    | 37,405                                     | (42,104)                                   |
| Increase in accrued expenses                                                                   | 17,475                                     | 9,062                                      | 226,948                                    |
| Increase (decrease) in accrued (prepaid) pension and severance cost                            | (941)                                      | 4,451                                      | (12,221)                                   |
| Other, net                                                                                     | (32,958)                                   | 19,088                                     | (428,026)                                  |
| Net cash provided by operating activities                                                      | 342,583                                    | 519,427                                    | 4,449,130                                  |
| Cash flows from investing activities:                                                          |                                            |                                            |                                            |
| Purchases of fixed assets                                                                      | (159,319)                                  | (136,735)                                  | (2,069,078)                                |
| Proceeds from sale of fixed assets                                                             | 2,695                                      | 1,666                                      | 35,000                                     |
| Purchases of available-for-sale securities                                                     | (1,939)                                    | (10,882)                                   | (25,182)                                   |
| Proceeds from sale and maturity of available-for-sale securities                               | 1,586                                      | 241                                        | 20,597                                     |
| Increase in time deposits, net                                                                 | (57,144)                                   | (40,132)                                   | (742,130)                                  |
| Acquisitions of subsidiaries, net of cash acquired                                             | 17                                         | (55,604)                                   | 221                                        |
| Purchases of other investments                                                                 | (147)                                      | (851)                                      | (1,909)                                    |
| Other, net                                                                                     | 12,251                                     | (905)                                      | 159,104                                    |
| Net cash used in investing activities                                                          | (202,000)                                  | (243,202)                                  | (2,623,377)                                |
| Cash flows from financing activities:                                                          |                                            |                                            |                                            |
| Proceeds from issuance of long-term debt                                                       | 712                                        | 3,856                                      | 9,247                                      |
| Repayments of long-term debt                                                                   | (4,053)                                    | (4,134)                                    | (52,636)                                   |
| Increase (decrease) in short-term loans, net                                                   | 7,479                                      | (74,002)                                   | 97,130                                     |
| Dividends paid                                                                                 | (152,784)                                  | (136,103)                                  | (1,984,208)                                |
| Repurchases of treasury stock, net                                                             | (99,835)                                   | (32,903)                                   | (1,296,558)                                |
| Other, net                                                                                     | (3,088)                                    | (24,672)                                   | (40,105)                                   |
| Net cash used in financing activities                                                          | (251,569)                                  | (267,958)                                  | (3,267,130)                                |
| Effect of exchange rate changes on cash and cash equivalents                                   | (17,962)                                   | (43,902)                                   | (233,272)                                  |
| Net change in cash and cash equivalents                                                        | (128,948)                                  | (35,635)                                   | (1,674,649)                                |
| Cash and cash equivalents at beginning of period                                               | 840,579                                    | 795,034                                    | 10,916,610                                 |
| Cash and cash equivalents at end of period                                                     | ¥ 711,631                                  | ¥ 759,399                                  | \$ 9,241,961                               |





## 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<br>U.S. dollars<br>Three months<br>ended<br>September 30, 2011 |
|--------------------------------------|---------------------------------------------|---------------------------------------------|-----------|-------|-----------------------------------------------------------------------------|
|                                      | Three months<br>ended<br>September 30, 2011 | Three months<br>ended<br>September 30, 2010 |           |       |                                                                             |
| <b>Office</b>                        |                                             |                                             |           |       |                                                                             |
| Net sales:                           |                                             |                                             |           |       |                                                                             |
| External customers                   | ¥ 471,302                                   | ¥ 505,049                                   | -         | 6.7   | \$ 6,120,805                                                                |
| Intersegment                         | 1,639                                       | 1,866                                       | -         | 12.2  | 21,286                                                                      |
| Total                                | 472,941                                     | 506,915                                     | -         | 6.7   | 6,142,091                                                                   |
| Operating cost and expenses          | 405,164                                     | 430,615                                     | -         | 5.9   | 5,261,870                                                                   |
| Operating profit                     | ¥ 67,777                                    | ¥ 76,300                                    | -         | 11.2  | \$ 880,221                                                                  |
| <b>Consumer</b>                      |                                             |                                             |           |       |                                                                             |
| Net sales:                           |                                             |                                             |           |       |                                                                             |
| External customers                   | ¥ 347,167                                   | ¥ 324,450                                   | +         | 7.0   | \$ 4,508,662                                                                |
| Intersegment                         | 275                                         | 323                                         | -         | 14.9  | 3,572                                                                       |
| Total                                | 347,442                                     | 324,773                                     | +         | 7.0   | 4,512,234                                                                   |
| Operating cost and expenses          | 272,270                                     | 265,996                                     | +         | 2.4   | 3,535,974                                                                   |
| Operating profit                     | ¥ 75,172                                    | ¥ 58,777                                    | +         | 27.9  | \$ 976,260                                                                  |
| <b>Industry and Others</b>           |                                             |                                             |           |       |                                                                             |
| Net sales:                           |                                             |                                             |           |       |                                                                             |
| External customers                   | ¥ 98,442                                    | ¥ 83,652                                    | +         | 17.7  | \$ 1,278,468                                                                |
| Intersegment                         | 25,342                                      | 26,122                                      | -         | 3.0   | 329,116                                                                     |
| Total                                | 123,784                                     | 109,774                                     | +         | 12.8  | 1,607,584                                                                   |
| Operating cost and expenses          | 114,698                                     | 105,382                                     | +         | 8.8   | 1,489,584                                                                   |
| Operating profit                     | ¥ 9,086                                     | ¥ 4,392                                     | +         | 106.9 | \$ 118,000                                                                  |
| <b>Corporate and Eliminations</b>    |                                             |                                             |           |       |                                                                             |
| Net sales:                           |                                             |                                             |           |       |                                                                             |

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|                             |            |            |        |               |
|-----------------------------|------------|------------|--------|---------------|
| External customers          | ¥ -        | ¥ -        | -      | \$ -          |
| Intersegment                | (27,256)   | (28,311)   | -      | (353,974)     |
| Total                       | (27,256)   | (28,311)   | -      | (353,974)     |
| Operating cost and expenses | 2,231      | 6,734      | -      | 28,975        |
| Operating profit            | ¥ (29,487) | ¥ (35,045) | -      | \$ (382,949)  |
| <b>Consolidated</b>         |            |            |        |               |
| Net sales:                  |            |            |        |               |
| External customers          | ¥ 916,911  | ¥ 913,151  | + 0.4  | \$ 11,907,935 |
| Intersegment                | -          | -          | -      | -             |
| Total                       | 916,911    | 913,151    | + 0.4  | 11,907,935    |
| Operating cost and expenses | 794,363    | 808,727    | - 1.8  | 10,316,403    |
| Operating profit            | ¥ 122,548  | ¥ 104,424  | + 17.4 | \$ 1,591,532  |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| <u>Results for the nine months</u> | Millions of yen                            |                                            | Change(%) |  | Thousands of<br>U.S. dollars               |
|------------------------------------|--------------------------------------------|--------------------------------------------|-----------|--|--------------------------------------------|
|                                    | Nine months<br>ended<br>September 30, 2011 | Nine months<br>ended<br>September 30, 2010 |           |  | Nine months<br>ended<br>September 30, 2011 |
| <b>Office</b>                      |                                            |                                            |           |  |                                            |
| Net sales:                         |                                            |                                            |           |  |                                            |
| External customers                 | ¥ 1,414,654                                | ¥ 1,431,626                                | - 1.2     |  | \$ 18,372,130                              |
| Intersegment                       | 4,948                                      | 6,366                                      | - 22.3    |  | 64,260                                     |
| Total                              | 1,419,602                                  | 1,437,992                                  | - 1.3     |  | 18,436,390                                 |
| Operating cost and expenses        | 1,228,931                                  | 1,205,821                                  | + 1.9     |  | 15,960,143                                 |
| Operating profit                   | ¥ 190,671                                  | ¥ 232,171                                  | - 17.9    |  | \$ 2,476,247                               |
| <b>Consumer</b>                    |                                            |                                            |           |  |                                            |
| Net sales:                         |                                            |                                            |           |  |                                            |
| External customers                 | ¥ 938,528                                  | ¥ 977,741                                  | - 4.0     |  | \$ 12,188,675                              |
| Intersegment                       | 751                                        | 1,346                                      | - 44.2    |  | 9,754                                      |
| Total                              | 939,279                                    | 979,087                                    | - 4.1     |  | 12,198,429                                 |
| Operating cost and expenses        | 778,883                                    | 806,044                                    | - 3.4     |  | 10,115,364                                 |
| Operating profit                   | ¥ 160,396                                  | ¥ 173,043                                  | - 7.3     |  | \$ 2,083,065                               |
| <b>Industry and Others</b>         |                                            |                                            |           |  |                                            |
| Net sales:                         |                                            |                                            |           |  |                                            |
| External customers                 | ¥ 239,494                                  | ¥ 229,668                                  | + 4.3     |  | \$ 3,110,312                               |
| Intersegment                       | 67,339                                     | 71,364                                     | - 5.6     |  | 874,532                                    |
| Total                              | 306,833                                    | 301,032                                    | + 1.9     |  | 3,984,844                                  |
| Operating cost and expenses        | 286,310                                    | 305,019                                    | - 6.1     |  | 3,718,312                                  |
| Operating profit (loss)            | ¥ 20,523                                   | ¥ (3,987)                                  | -         |  | \$ 266,532                                 |
| <b>Corporate and Eliminations</b>  |                                            |                                            |           |  |                                            |
| Net sales:                         |                                            |                                            |           |  |                                            |
| External customers                 | ¥ -                                        | ¥ -                                        | -         |  | \$ -                                       |
| Intersegment                       | (73,038)                                   | (79,076)                                   | -         |  | (948,546)                                  |
| Total                              | (73,038)                                   | (79,076)                                   | -         |  | (948,546)                                  |
| Operating cost and expenses        | 15,091                                     | 17,446                                     | -         |  | 195,986                                    |
| Operating profit                   | ¥ (88,129)                                 | ¥ (96,522)                                 | -         |  | \$ (1,144,532)                             |

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**Consolidated**

Net sales:

|                             |             |   |           |   |     |    |            |
|-----------------------------|-------------|---|-----------|---|-----|----|------------|
| External customers          | ¥ 2,592,676 | ¥ | 2,639,035 | - | 1.8 | \$ | 33,671,117 |
| Intersegment                | -           |   | -         |   | -   |    | -          |
| Total                       | 2,592,676   |   | 2,639,035 | - | 1.8 |    | 33,671,117 |
| Operating cost and expenses | 2,309,215   |   | 2,334,330 | - | 1.1 |    | 29,989,805 |
| Operating profit            | ¥ 283,461   | ¥ | 304,705   | - | 7.0 | \$ | 3,681,312  |

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## (2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| <u>Results for the third quarter</u> | Millions of yen                             |                                             |           |       | Thousands of<br>U.S. dollars                |
|--------------------------------------|---------------------------------------------|---------------------------------------------|-----------|-------|---------------------------------------------|
|                                      | Three months<br>ended<br>September 30, 2011 | Three months<br>ended<br>September 30, 2010 | Change(%) |       | Three months<br>ended<br>September 30, 2011 |
| <b>Japan</b>                         |                                             |                                             |           |       |                                             |
| Net sales:                           |                                             |                                             |           |       |                                             |
| External customers                   | ¥ 213,453                                   | ¥ 199,912                                   | +         | 6.8   | \$ 2,772,117                                |
| Intersegment                         | 541,707                                     | 504,522                                     | +         | 7.4   | 7,035,156                                   |
| Total                                | 755,160                                     | 704,434                                     | +         | 7.2   | 9,807,273                                   |
| Operating cost and expenses          | 644,963                                     | 596,566                                     | +         | 8.1   | 8,376,143                                   |
| Operating profit                     | ¥ 110,197                                   | ¥ 107,868                                   | +         | 2.2   | \$ 1,431,130                                |
| <b>Americas</b>                      |                                             |                                             |           |       |                                             |
| Net sales:                           |                                             |                                             |           |       |                                             |
| External customers                   | ¥ 237,761                                   | ¥ 244,674                                   | -         | 2.8   | \$ 3,087,805                                |
| Intersegment                         | 5,291                                       | 4,022                                       | +         | 31.6  | 68,714                                      |
| Total                                | 243,052                                     | 248,696                                     | -         | 2.3   | 3,156,519                                   |
| Operating cost and expenses          | 230,767                                     | 242,572                                     | -         | 4.9   | 2,996,974                                   |
| Operating profit                     | ¥ 12,285                                    | ¥ 6,124                                     | +         | 100.6 | \$ 159,545                                  |
| <b>Europe</b>                        |                                             |                                             |           |       |                                             |
| Net sales:                           |                                             |                                             |           |       |                                             |
| External customers                   | ¥ 273,314                                   | ¥ 285,550                                   | -         | 4.3   | \$ 3,549,532                                |
| Intersegment                         | 1,472                                       | 462                                         | +         | 218.6 | 19,117                                      |
| Total                                | 274,786                                     | 286,012                                     | -         | 3.9   | 3,568,649                                   |
| Operating cost and expenses          | 260,120                                     | 273,649                                     | -         | 4.9   | 3,378,181                                   |
| Operating profit                     | ¥ 14,666                                    | ¥ 12,363                                    | +         | 18.6  | \$ 190,468                                  |
| <b>Asia and Oceania</b>              |                                             |                                             |           |       |                                             |
| Net sales:                           |                                             |                                             |           |       |                                             |
| External customers                   | ¥ 192,383                                   | ¥ 183,015                                   | +         | 5.1   | \$ 2,498,481                                |
| Intersegment                         | 225,350                                     | 192,854                                     | +         | 16.9  | 2,926,623                                   |
| Total                                | 417,733                                     | 375,869                                     | +         | 11.1  | 5,425,104                                   |
| Operating cost and expenses          | 398,688                                     | 361,404                                     | +         | 10.3  | 5,177,766                                   |

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|                                   |            |            |   |      |               |
|-----------------------------------|------------|------------|---|------|---------------|
| Operating profit                  | ¥ 19,045   | ¥ 14,465   | + | 31.7 | \$ 247,338    |
| <b>Corporate and Eliminations</b> |            |            |   |      |               |
| Net sales:                        |            |            |   |      |               |
| External customers                | ¥ -        | ¥ -        | - |      | \$ -          |
| Intersegment                      | (773,820)  | (701,860)  | - |      | (10,049,610)  |
| Total                             | (773,820)  | (701,860)  | - |      | (10,049,610)  |
| Operating cost and expenses       | (740,175)  | (665,464)  | - |      | (9,612,661)   |
| Operating profit                  | ¥ (33,645) | ¥ (36,396) | - |      | \$ (436,949)  |
| <b>Consolidated</b>               |            |            |   |      |               |
| Net sales:                        |            |            |   |      |               |
| External customers                | ¥ 916,911  | ¥ 913,151  | + | 0.4  | \$ 11,907,935 |
| Intersegment                      | -          | -          | - |      | -             |
| Total                             | 916,911    | 913,151    | + | 0.4  | 11,907,935    |
| Operating cost and expenses       | 794,363    | 808,727    | - | 1.8  | 10,316,403    |
| Operating profit                  | ¥ 122,548  | ¥ 104,424  | + | 17.4 | \$ 1,591,532  |

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| <u>Results for the nine months</u> | Millions of yen                      |                                      | Thousands of U.S. dollars |                                      |
|------------------------------------|--------------------------------------|--------------------------------------|---------------------------|--------------------------------------|
|                                    | Nine months ended September 30, 2011 | Nine months ended September 30, 2010 | Change(%)                 | Nine months ended September 30, 2011 |
| <b>Japan</b>                       |                                      |                                      |                           |                                      |
| Net sales:                         |                                      |                                      |                           |                                      |
| External customers                 | ¥ 572,347                            | ¥ 604,374                            | - 5.3                     | \$ 7,433,078                         |
| Intersegment                       | 1,419,806                            | 1,457,204                            | - 2.6                     | 18,439,039                           |
| Total                              | 1,992,153                            | 2,061,578                            | - 3.4                     | 25,872,117                           |
| Operating cost and expenses        | 1,699,616                            | 1,743,505                            | - 2.5                     | 22,072,935                           |
| Operating profit                   | ¥ 292,537                            | ¥ 318,073                            | - 8.0                     | \$ 3,799,182                         |
| <b>Americas</b>                    |                                      |                                      |                           |                                      |
| Net sales:                         |                                      |                                      |                           |                                      |
| External customers                 | ¥ 682,176                            | ¥ 711,328                            | - 4.1                     | \$ 8,859,429                         |
| Intersegment                       | 12,352                               | 5,134                                | + 140.6                   | 160,415                              |
| Total                              | 694,528                              | 716,462                              | - 3.1                     | 9,019,844                            |
| Operating cost and expenses        | 677,833                              | 698,834                              | - 3.0                     | 8,803,026                            |
| Operating profit                   | ¥ 16,695                             | ¥ 17,628                             | - 5.3                     | \$ 216,818                           |
| <b>Europe</b>                      |                                      |                                      |                           |                                      |
| Net sales:                         |                                      |                                      |                           |                                      |
| External customers                 | ¥ 818,803                            | ¥ 823,886                            | - 0.6                     | \$ 10,633,805                        |
| Intersegment                       | 3,483                                | 2,650                                | + 31.4                    | 45,234                               |
| Total                              | 822,286                              | 826,536                              | - 0.5                     | 10,679,039                           |
| Operating cost and expenses        | 788,977                              | 794,215                              | - 0.7                     | 10,246,455                           |
| Operating profit                   | ¥ 33,309                             | ¥ 32,321                             | + 3.1                     | \$ 432,584                           |
| <b>Asia and Oceania</b>            |                                      |                                      |                           |                                      |
| Net sales:                         |                                      |                                      |                           |                                      |
| External customers                 | ¥ 519,350                            | ¥ 499,447                            | + 4.0                     | \$ 6,744,805                         |
| Intersegment                       | 560,780                              | 528,637                              | + 6.1                     | 7,282,857                            |
| Total                              | 1,080,130                            | 1,028,084                            | + 5.1                     | 14,027,662                           |
| Operating cost and expenses        | 1,036,900                            | 988,666                              | + 4.9                     | 13,466,233                           |

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|                                   |             |             |   |     |                |
|-----------------------------------|-------------|-------------|---|-----|----------------|
| Operating profit                  | ¥ 43,230    | ¥ 39,418    | + | 9.7 | \$ 561,429     |
| <b>Corporate and Eliminations</b> |             |             |   |     |                |
| Net sales:                        |             |             |   |     |                |
| External customers                | ¥ -         | ¥ -         | - | -   | \$ -           |
| Intersegment                      | (1,996,421) | (1,993,625) | - | -   | (25,927,545)   |
| Total                             | (1,996,421) | (1,993,625) | - | -   | (25,927,545)   |
| Operating cost and expenses       | (1,894,111) | (1,890,890) | - | -   | (24,598,844)   |
| Operating profit                  | ¥ (102,310) | ¥ (102,735) | - | -   | \$ (1,328,701) |
| <b>Consolidated</b>               |             |             |   |     |                |
| Net sales:                        |             |             |   |     |                |
| External customers                | ¥ 2,592,676 | ¥ 2,639,035 | - | 1.8 | \$ 33,671,117  |
| Intersegment                      | -           | -           | - | -   | -              |
| Total                             | 2,592,676   | 2,639,035   | - | 1.8 | 33,671,117     |
| Operating cost and expenses       | 2,309,215   | 2,334,330   | - | 1.1 | 29,989,805     |
| Operating profit                  | ¥ 283,461   | ¥ 304,705   | - | 7.0 | \$ 3,681,312   |



## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS' EQUITY

Not applicable.

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

## 1. Number of Group Companies

|              | September 30, 2011 | December 31, 2010 | Change |
|--------------|--------------------|-------------------|--------|
| Subsidiaries | 291                | 294               | (3)    |
| Affiliates   | 13                 | 14                | (1)    |
| Total        | 304                | 308               | (4)    |

## 2. Change in Group Entities

|                                     |             |
|-------------------------------------|-------------|
| Subsidiaries                        |             |
| Addition:                           | 6 companies |
| Removal:                            | 9 companies |
| Affiliates(Carried at Equity Basis) |             |
| Removal:                            | 1 company   |

## 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.

CONSOLIDATED FINANCIAL RESULTS FOR  
THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2011  
SUPPLEMENTARY REPORT  
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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, plan, project or 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**

|                         | 2011        |           |           | 2010        |           |           | (Millions of yen)<br>Change year over year |        |       |
|-------------------------|-------------|-----------|-----------|-------------|-----------|-----------|--------------------------------------------|--------|-------|
|                         | 3rd quarter | YTD       | Year      | 3rd quarter | YTD       | Year      | 3rd quarter                                | YTD    | Year  |
|                         |             |           | (P)       |             |           |           |                                            |        |       |
| <b>Japan</b>            |             |           |           |             |           |           |                                            |        |       |
| Office                  | 85,879      | 265,336   | -         | 88,935      | 280,695   | 376,928   | -3.4%                                      | -5.5%  | -     |
| Consumer                | 46,033      | 125,807   | -         | 49,080      | 145,711   | 216,509   | -6.2%                                      | -13.7% | -     |
| Industry and Others     | 37,614      | 101,987   | -         | 21,904      | 71,174    | 102,312   | +71.7%                                     | +43.3% | -     |
| Total                   | 169,526     | 493,130   | 703,000   | 159,919     | 497,580   | 695,749   | +6.0%                                      | -0.9%  | +1.0% |
| <b>Overseas</b>         |             |           |           |             |           |           |                                            |        |       |
| Office                  | 385,423     | 1,149,318 | -         | 416,114     | 1,150,931 | 1,602,017 | -7.4%                                      | -0.1%  | -     |
| Consumer                | 301,134     | 812,721   | -         | 275,370     | 832,030   | 1,173,113 | +9.4%                                      | -2.3%  | -     |
| Industry and Others     | 60,828      | 137,507   | -         | 61,748      | 158,494   | 236,022   | -1.5%                                      | -13.2% | -     |
| Total                   | 747,385     | 2,099,546 | 2,947,000 | 753,232     | 2,141,455 | 3,011,152 | -0.8%                                      | -2.0%  | -2.1% |
| <b>Americas</b>         |             |           |           |             |           |           |                                            |        |       |
| Office                  | 148,509     | 434,253   | -         | 156,538     | 431,267   | 601,090   | -5.1%                                      | +0.7%  | -     |
| Consumer                | 82,218      | 225,396   | -         | 80,142      | 260,710   | 379,522   | +2.6%                                      | -13.5% | -     |
| Industry and Others     | 9,871       | 28,002    | -         | 10,015      | 29,212    | 42,687    | -1.4%                                      | -4.1%  | -     |
| Total                   | 240,598     | 687,651   | 970,600   | 246,695     | 721,189   | 1,023,299 | -2.5%                                      | -4.7%  | -5.1% |
| <b>Europe</b>           |             |           |           |             |           |           |                                            |        |       |
| Office                  | 165,340     | 516,538   | -         | 189,412     | 524,562   | 733,216   | -12.7%                                     | -1.5%  | -     |
| Consumer                | 103,556     | 286,735   | -         | 91,500      | 284,073   | 407,994   | +13.2%                                     | +0.9%  | -     |
| Industry and Others     | 4,927       | 19,144    | -         | 7,100       | 21,024    | 31,264    | -30.6%                                     | -8.9%  | -     |
| Total                   | 273,823     | 822,417   | 1,146,600 | 288,012     | 829,659   | 1,172,474 | -4.9%                                      | -0.9%  | -2.2% |
| <b>Asia and Oceania</b> |             |           |           |             |           |           |                                            |        |       |
| Office                  | 71,574      | 198,527   | -         | 70,164      | 195,102   | 267,711   | +2.0%                                      | +1.8%  | -     |
| Consumer                | 115,360     | 300,590   | -         | 103,728     | 287,247   | 385,597   | +11.2%                                     | +4.6%  | -     |
| Industry and Others     | 46,030      | 90,361    | -         | 44,633      | 108,258   | 162,071   | +3.1%                                      | -16.5% | -     |
| Total                   | 232,964     | 589,478   | 829,800   | 218,525     | 590,607   | 815,379   | +6.6%                                      | -0.2%  | +1.8% |
| <b>Intersegment</b>     |             |           |           |             |           |           |                                            |        |       |
| Office                  | 1,639       | 4,948     | -         | 1,866       | 6,366     | 8,324     | -12.2%                                     | -22.3% | -     |
| Consumer                | 275         | 751       | -         | 323         | 1,346     | 1,705     | -14.9%                                     | -44.2% | -     |
| Industry and Others     | 25,342      | 67,339    | -         | 26,122      | 71,364    | 94,624    | -3.0%                                      | -5.6%  | -     |
| Eliminations            | (27,256)    | (73,038)  | -         | (28,311)    | (79,076)  | (104,653) | -                                          | -      | -     |
| Total                   | 0           | 0         | 0         | 0           | 0         | 0         | -                                          | -      | -     |
| <b>Total</b>            |             |           |           |             |           |           |                                            |        |       |
| Office                  | 472,941     | 1,419,602 | 1,968,200 | 506,915     | 1,437,992 | 1,987,269 | -6.7%                                      | -1.3%  | -1.0% |
| Consumer                | 347,442     | 939,279   | 1,340,900 | 324,773     | 979,087   | 1,391,327 | +7.0%                                      | -4.1%  | -3.6% |
| Industry and Others     | 123,784     | 306,833   | 430,100   | 109,774     | 301,032   | 432,958   | +12.8%                                     | +1.9%  | -0.7% |
| Eliminations            | (27,256)    | (73,038)  | (89,200)  | (28,311)    | (79,076)  | (104,653) | -                                          | -      | -     |
| Total                   | 916,911     | 2,592,676 | 3,650,000 | 913,151     | 2,639,035 | 3,706,901 | +0.4%                                      | -1.8%  | -1.5% |

(P)=Projection

Canon Inc.

**2. SEGMENT INFORMATION BY BUSINESS UNIT**

(Millions of yen)

|                                   | 2011        |           |           | 2010        |           |           | Change year over year |        |        |
|-----------------------------------|-------------|-----------|-----------|-------------|-----------|-----------|-----------------------|--------|--------|
|                                   | 3rd quarter | YTD       | Year      | 3rd quarter | YTD       | Year      | 3rd quarter           | YTD    | Year   |
|                                   |             |           | (P)       |             |           |           |                       |        |        |
| <b>Office</b>                     |             |           |           |             |           |           |                       |        |        |
| External customers                | 471,302     | 1,414,654 | 1,962,000 | 505,049     | 1,431,626 | 1,978,945 | -6.7%                 | -1.2%  | -0.9%  |
| Intersegment                      | 1,639       | 4,948     | 6,200     | 1,866       | 6,366     | 8,324     | -12.2%                | -22.3% | -25.5% |
| Total sales                       | 472,941     | 1,419,602 | 1,968,200 | 506,915     | 1,437,992 | 1,987,269 | -6.7%                 | -1.3%  | -1.0%  |
| Operating profit                  | 67,777      | 190,671   | 254,000   | 76,300      | 232,171   | 293,322   | -11.2%                | -17.9% | -13.4% |
| % of sales                        | 14.3%       | 13.4%     | 12.9%     | 15.1%       | 16.1%     | 14.8%     | -                     | -      | -      |
| <b>Consumer</b>                   |             |           |           |             |           |           |                       |        |        |
| External customers                | 347,167     | 938,528   | 1,339,900 | 324,450     | 977,741   | 1,389,622 | +7.0%                 | -4.0%  | -3.6%  |
| Intersegment                      | 275         | 751       | 1,000     | 323         | 1,346     | 1,705     | -14.9%                | -44.2% | -41.3% |
| Total sales                       | 347,442     | 939,279   | 1,340,900 | 324,773     | 979,087   | 1,391,327 | +7.0%                 | -4.1%  | -3.6%  |
| Operating profit                  | 75,172      | 160,396   | 208,500   | 58,777      | 173,043   | 238,065   | +27.9%                | -7.3%  | -12.4% |
| % of sales                        | 21.6%       | 17.1%     | 15.5%     | 18.1%       | 17.7%     | 17.1%     | -                     | -      | -      |
| <b>Industry and Others</b>        |             |           |           |             |           |           |                       |        |        |
| External customers                | 98,442      | 239,494   | 348,100   | 83,652      | 229,668   | 338,334   | +17.7%                | +4.3%  | +2.9%  |
| Intersegment                      | 25,342      | 67,339    | 82,000    | 26,122      | 71,364    | 94,624    | -3.0%                 | -5.6%  | -13.3% |
| Total sales                       | 123,784     | 306,833   | 430,100   | 109,774     | 301,032   | 432,958   | +12.8%                | +1.9%  | -0.7%  |
| Operating profit                  | 9,086       | 20,523    | 29,300    | 4,392       | (3,987)   | (9,831)   | +106.9%               | -      | -      |
| % of sales                        | 7.3%        | 6.7%      | 6.8%      | 4.0%        | -1.3%     | -2.3%     | -                     | -      | -      |
| <b>Corporate and Eliminations</b> |             |           |           |             |           |           |                       |        |        |
| External customers                | -           | -         | -         | -           | -         | -         | -                     | -      | -      |
| Intersegment                      | (27,256)    | (73,038)  | (89,200)  | (28,311)    | (79,076)  | (104,653) | -                     | -      | -      |
| Total sales                       | (27,256)    | (73,038)  | (89,200)  | (28,311)    | (79,076)  | (104,653) | -                     | -      | -      |
| Operating profit                  | (29,487)    | (88,129)  | (131,800) | (35,045)    | (96,522)  | (134,004) | -                     | -      | -      |
| <b>Consolidated</b>               |             |           |           |             |           |           |                       |        |        |
| External customers                | 916,911     | 2,592,676 | 3,650,000 | 913,151     | 2,639,035 | 3,706,901 | +0.4%                 | -1.8%  | -1.5%  |
| Intersegment                      | -           | -         | -         | -           | -         | -         | -                     | -      | -      |
| Total sales                       | 916,911     | 2,592,676 | 3,650,000 | 913,151     | 2,639,035 | 3,706,901 | +0.4%                 | -1.8%  | -1.5%  |
| Operating profit                  | 122,548     | 283,461   | 360,000   | 104,424     | 304,705   | 387,552   | +17.4%                | -7.0%  | -7.1%  |
| % of sales                        | 13.4%       | 10.9%     | 9.9%      | 11.4%       | 11.5%     | 10.5%     | -                     | -      | -      |

(P)=Projection

**3. OTHER INCOME / DEDUCTIONS**

(Millions of yen)

|                                                | 2011        |         |          | 2010        |          |          | Change year over year |          |          |
|------------------------------------------------|-------------|---------|----------|-------------|----------|----------|-----------------------|----------|----------|
|                                                | 3rd quarter | YTD     | Year     | 3rd quarter | YTD      | Year     | 3rd quarter           | YTD      | Year     |
|                                                |             |         | (P)      |             |          |          |                       |          |          |
| Interest and dividend, net                     | 1,901       | 4,989   | 6,500    | 1,337       | 3,127    | 4,091    | +564                  | +1,862   | +2,409   |
| Forex gain (loss)                              | (6,496)     | (5,659) | (9,500)  | 1,340       | 3,535    | 3,089    | (7,836)               | (9,194)  | (12,589) |
| Equity earnings (loss) of affiliated companies | (277)       | (5,654) | (6,500)  | (1,853)     | 11,022   | 10,471   | +1,576                | (16,676) | (16,971) |
| Other, net                                     | 589         | 4,787   | (500)    | 3,578       | (12,060) | (12,340) | (2,989)               | +16,847  | +11,840  |
| Total                                          | (4,283)     | (1,537) | (10,000) | 4,402       | 5,624    | 5,311    | (8,685)               | (7,161)  | (15,311) |

(P)=Projection

Canon Inc.

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

|                            | 2nd quarter | 2nd quarter<br>2011 | 2nd quarter | 2nd quarter | 2nd quarter<br>2010 | 2nd quarter |
|----------------------------|-------------|---------------------|-------------|-------------|---------------------|-------------|
|                            | 3rd quarter | YTD                 | Year<br>(P) | 3rd quarter | YTD                 | Year        |
| <b>Office</b>              |             |                     |             |             |                     |             |
| Monochrome copiers         | 15%         | 15%                 | 15%         | 15%         | 16%                 | 15%         |
| Color copiers              | 17%         | 17%                 | 17%         | 16%         | 17%                 | 17%         |
| Other printing devices     | 49%         | 48%                 | 47%         | 50%         | 51%                 | 50%         |
| Others                     | 19%         | 20%                 | 21%         | 19%         | 16%                 | 18%         |
| <b>Consumer</b>            |             |                     |             |             |                     |             |
| Cameras                    | 74%         | 71%                 | 71%         | 71%         | 70%                 | 70%         |
| Inkjet printers            | 21%         | 24%                 | 24%         | 24%         | 24%                 | 24%         |
| Others                     | 5%          | 5%                  | 5%          | 5%          | 6%                  | 6%          |
| <b>Industry and Others</b> |             |                     |             |             |                     |             |
| Lithography equipment      | 17%         | 17%                 | 20%         | 26%         | 22%                 | 23%         |
| Others                     | 83%         | 83%                 | 80%         | 74%         | 78%                 | 77%         |

(P)=Projection

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

|                            | 2nd quarter | 2nd quarter<br>2011 | 2nd quarter |
|----------------------------|-------------|---------------------|-------------|
|                            | 3rd quarter | YTD                 | Year<br>(P) |
| <b>Office</b>              |             |                     |             |
| Japan                      | -3.4%       | -5.5%               | -           |
| Overseas                   | -1.6%       | +7.0%               | -           |
| Total                      | -2.0%       | +4.4%               | +4.7%       |
| <b>Consumer</b>            |             |                     |             |
| Japan                      | -6.2%       | -13.7%              | -           |
| Overseas                   | +14.8%      | +4.1%               | -           |
| Total                      | +11.6%      | +1.4%               | +1.8%       |
| <b>Industry and Others</b> |             |                     |             |
| Japan                      | +71.7%      | +43.3%              | -           |
| Overseas                   | +0.1%       | -10.7%              | -           |
| Total                      | +13.6%      | +3.3%               | +0.6%       |
| <b>Total</b>               |             |                     |             |
| Japan                      | +6.0%       | -0.9%               | +1.0%       |
| Overseas                   | +4.5%       | +4.6%               | +4.3%       |
| Americas                   | +6.6%       | +4.7%               | +3.5%       |
| Europe                     | -2.7%       | +3.6%               | +2.9%       |
| Asia and Oceania           | +11.8%      | +5.7%               | +7.3%       |
| Total                      | +4.8%       | +3.5%               | +3.7%       |

(P)=Projection

**6. PROFITABILITY**

|        | 2011 |          | 2010 |      |
|--------|------|----------|------|------|
|        | YTD  | Year (P) | YTD  | Year |
| ROE *1 | 9.7% | 8.7%     | 9.6% | 9.2% |
| ROA *2 | 6.3% | 5.8%     | 6.5% | 6.3% |

(P)=Projection

\*1 Based on Net Income attributable to Canon Inc. and Total Canon Inc. Stockholders' Equity

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

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

|          |             |                 |          | (Yen)       |        |
|----------|-------------|-----------------|----------|-------------|--------|
|          | 2011        |                 |          | 2010        |        |
|          | 3rd quarter | 4th quarter (P) | Year (P) | 3rd quarter | Year   |
| Yen/US\$ | 77.75       | 77.00           | 79.41    | 85.79       | 87.40  |
| Yen/Euro | 109.98      | 105.00          | 110.83   | 110.61      | 114.97 |

(P)=Projection

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

(Billions of yen)

|                  | 2011        |          |
|------------------|-------------|----------|
|                  | 3rd quarter | Year (P) |
| US\$             | (29.7)      | (121.7)  |
| Euro             | (1.7)       | (37.9)   |
| Other currencies | (2.1)       | (10.0)   |
| Total            | (33.5)      | (169.6)  |

(P)=Projection

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

(Billions of yen)

|                     | 2011            |
|---------------------|-----------------|
|                     | 4th quarter (P) |
| On sales            |                 |
| US\$                | 5.2             |
| Euro                | 2.9             |
| On operating profit |                 |
| US\$                | 2.4             |
| Euro                | 1.7             |

(P)=Projection

**8. STATEMENTS OF CASH FLOWS**

|                                                              |             |           | (Millions of yen) |           |
|--------------------------------------------------------------|-------------|-----------|-------------------|-----------|
|                                                              | 2011        |           | 2010              |           |
|                                                              | 3rd quarter | Year (P)  | 3rd quarter       | Year      |
| Net cash provided by operating activities                    | 151,758     | 470,000   | 170,852           | 744,413   |
| Net cash used in investing activities                        | (128,692)   | (340,000) | (66,220)          | (342,133) |
| Free cash flow                                               | 23,066      | 130,000   | 104,632           | 402,280   |
| Net cash used in financing activities                        | (125,135)   | (254,000) | (117,353)         | (279,897) |
| Effect of exchange rate changes on cash and cash equivalents | (34,919)    | (16,600)  | 423               | (76,838)  |
| Net change in cash and cash equivalents                      | (136,988)   | (140,600) | (12,298)          | 45,545    |
| Cash and cash equivalents at end of period                   | 711,631     | 700,000   | 759,399           | 840,579   |

(P)=Projection

**9. R&D EXPENDITURE**

(Millions of yen)

|                            | 2011        |          | 2010        |         |
|----------------------------|-------------|----------|-------------|---------|
|                            | 3rd quarter | Year (P) | 3rd quarter | Year    |
| Office                     | 24,182      | -        | 23,789      | 96,156  |
| Consumer                   | 20,801      | -        | 20,382      | 82,843  |
| Industry and Others        | 8,100       | -        | 5,360       | 21,062  |
| Corporate and Eliminations | 24,901      | -        | 27,543      | 115,756 |
| Total                      | 77,984      | 310,000  | 77,074      | 315,817 |
| % of sales                 | 8.5%        | 8.5%     | 8.4%        | 8.5%    |

(P)=Projection

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

(Millions of yen)

|                               | 2011        |          | 2010        |         |
|-------------------------------|-------------|----------|-------------|---------|
|                               | 3rd quarter | Year (P) | 3rd quarter | Year    |
| Increase in PP&E              | 54,545      | 250,000  | 32,417      | 158,976 |
| Depreciation and amortization | 62,941      | 280,000  | 72,065      | 276,193 |

(P)=Projection

**11. INVENTORIES****(1) Inventories**

(Millions of yen)

|                     | 2011    | 2010    | Difference |
|---------------------|---------|---------|------------|
|                     | Sep.30  | Dec.31  |            |
| Office              | 224,160 | 186,817 | +37,343    |
| Consumer            | 173,746 | 107,261 | +66,485    |
| Industry and Others | 120,133 | 90,699  | +29,434    |
| Total               | 518,039 | 384,777 | +133,262   |

**(2) Inventory turnover\***

(Days)

|                     | 2011   | 2010   | Difference |
|---------------------|--------|--------|------------|
|                     | Sep.30 | Dec.31 |            |
| Office              | 44     | 32     | +12        |
| Consumer            | 49     | 27     | +22        |
| Industry and Others | 133    | 88     | +45        |
| Total               | 54     | 35     | +19        |

\*Index based on the previous six months sales.

**12. DEBT RATIO**

|                           | 2011   | 2010   | Difference |
|---------------------------|--------|--------|------------|
|                           | Sep.30 | Dec.31 |            |
| Total debt / Total assets | 0.4%   | 0.3%   | +0.1%      |

**13. OVERSEAS PRODUCTION RATIO**

|                           | 2011 | 2010 |
|---------------------------|------|------|
|                           | YTD  | Year |
| Overseas production ratio | 52%  | 49%  |

**14. NUMBER OF EMPLOYEES**

|          | 2011    | 2010    | Difference |
|----------|---------|---------|------------|
|          | Sep.30  | Dec.31  |            |
| Japan    | 70,410  | 71,954  | (1,544)    |
| Overseas | 129,410 | 125,432 | +3,978     |
| Total    | 199,820 | 197,386 | +2,434     |

