CANON INC
Form 6-K
April 27, 2010

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of ..... **April**... , **2010**

CANON INC.

(Translation of registrant s name into English)

30-2, Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F **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.... **April 26, 2010**....

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

Masashiro Kobayashi
General Manager
Global Finance Management Center
Canon Inc.

*Print the name and title of the signing officer under his signature.

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2010

CONSOLIDATED RESULTS FOR
THE FIRST QUARTER ENDED MARCH 31, 2010

April 26, 2010

CONSOLIDATED RESULTS

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

	Actual					Projected	
	Three months ended March 31, 2010		Three months ended March 31, 2009	Change(%)	**Three months ended March 31, 2010**	Year ending December 31, 2010	Change(%)
Net sales	¥ **755,526**		¥ 687,034	+ 10.0	$ **8,123,935**	¥ 3,750,000	+ 16.9
Operating profit	**86,843**		20,032	+ 333.5	**933,796**	360,000	+ 65.9
Income before income taxes	**88,852**		22,394	+ 296.8	**955,398**	360,000	+ 64.1
Net income attributable to Canon Inc.	¥ **56,811**		¥ 17,744	+ 220.2	$ **610,871**	¥ 240,000	+ 82.3

Net income attributable to Canon Inc. stockholders per share:

- Basic	¥ **46.02**	¥ 14.37	+ 220.3	$ **0.49**	¥ 194.42	+ 82.3
- Diluted	**46.02**	14.37	+ 220.3	**0.49**	-	-

	Actual			
	As of March 31, 2010	As of December 31, 2009	Change(%)	**As of March 31, 2010**
Total assets	¥ **4,032,810**	¥ 3,847,557	+ 4.8	$ **43,363,548**
Canon Inc. stockholders equity	¥ **2,675,909**	¥ 2,688,109	- 0.5	$ **28,773,215**

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 JPY93 = U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2010, solely for the convenience of the reader.

Canon Inc.
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,
Tokyo 146-8501, Japan

Phone: +81-3-3758-2111

I. Operating Results and Financial Conditions
2010 First Quarter in Review

Looking back at the global economy in the first quarter of 2010, economic conditions have gradually begun to improve globally amid the recovery trend from the second half of 2009. Although the economic recovery in Europe has lagged mainly due to the financial concerns of the Greek government, the United States has recorded a steady revival in consumer spending and Japan has seen a sharp increase in exports, mainly to Asian countries. The economies of the Asian region, such as China and India, along with other emerging countries, continued to achieve robust growth.

As for the markets in which Canon operates amid these conditions, within the office equipment market, while demand for monochrome models of network digital multifunction devices (MFDs) remained sluggish, demand for color models steadily recovered. Demand for laser printers also gained momentum compared with the stagnant sales of the previous year. As for the consumer products market, demand for digital single-lens reflex (SLR) cameras displayed solid growth throughout global markets, whereas demand for compact digital cameras maintained growth in emerging markets, such as those in Asia, but remained relatively sluggish in developed countries. With regard to inkjet printers, demand recovered gradually and the market size expanded from the year-ago period. In the industry and others market, the markets for semiconductor lithography equipment and liquid crystal display (LCD) lithography equipment showed positive signs with an upturn in order placements, owing to improved conditions within the semiconductor device and LCD panel markets. The average value of the yen during the year was ¥90.63 to the U.S. dollar, a year-on-year appreciation of approximately ¥3, and ¥125.07 to the euro, a year-on-year depreciation of approximately ¥3.

Net sales for the quarter totaled ¥755.5 billion (U.S.$8,124 million), an increase of 10.0% from the year-ago period, thanks to robust sales of such consumer products as digital cameras and inkjet printers, along with a sales rebound for office products such as laser printers and other factors. The gross profit ratio rose 5.3 points year on year to 48.8%, mainly owing to the launch of new products and ongoing cost-cutting efforts, along with the rise in production turnover accompanying an increase in production. Consequently, gross profit rose by 23.3% to ¥368.6 billion (U.S.$3,963 million). Operating expenses increased by just 1.1% owing to continued Group-wide efforts to thoroughly cut spending, resulting in a climb in operating profit of approximately 4.3 fold to ¥86.8 billion (U.S.$934 million). Other income (deductions) recorded a decrease of ¥0.4 billion (U.S.$4 million), reflecting a deterioration in currency exchange losses and other factors. As a result, income before income taxes totaled ¥88.9 billion (U.S.$955 million), a year-on-year jump of approximately 4.0 fold, while net income attributable to Canon Inc. also surged approximately 3.2 fold to ¥56.8 billion (U.S.$611 million).

Basic net income attributable to Canon Inc. stockholders per share was ¥46.02 (U.S.$0.49), an increase of ¥31.65 (U.S.$0.34) compared with the corresponding period of the previous year.

Results by Segment

Looking at Canon s quarterly performance by business sector, within the Office Business Unit, while sales volume of color network digital MFDs increased in major regions boosted by the introduction of new products and the recovery in demand, sales volume for laser printers, which suffered flagging sales in the previous year largely due to an adjustment of inventory levels, more than doubled, resulting in a substantial increase of 131%. Consequently, sales for the segment totaled ¥409.1 billion (U.S.$4,399 million), an increase of 8.0% year on year, and operating profit increased 50.5% to ¥72.1 billion (U.S.$775 million), mainly as a result of expanded sales and the rise in the gross profit ratio.

Within the Consumer Business Unit, sales volumes of such new digital SLR cameras as the competitively priced EOS Digital Rebel T1i (EOS 500D) and the new EOS Digital Rebel T2i (EOS 550D), along with the EOS 5D Mark II and EOS 7D advanced-amateur models, achieved healthy growth. As for compact digital cameras, the Company launched three new ELPH (IXUS)-series models and five new PowerShot-series models, boosting sales volumes especially in emerging markets. Consequently, sales volume for digital cameras recorded a year-on-year increase of 11%. As for inkjet printers, the market realized a turnaround and sales, particularly in Asia, displayed solid growth, contributing to an increase in sales volume of 8%. As a result, sales for the segment rose 19.8% year on year to ¥290.3 billion (U.S.$3,121 million). Operating profit increased by 166.6% to ¥47.3 billion (U.S.$509 million), largely reflecting the substantial rise in the gross profit ratio.

In the Industry and Others Business Unit, while the independent business-related sales of Group subsidiaries increased in line with the turnaround in business conditions, sales of both semiconductor lithography equipment and LCD lithography equipment remained slack due to the lingering effects of the stagnant market from the previous year, resulting in a decline in sales of 4.1% to ¥82.3 billion (U.S.$885 million). Operating loss improved by ¥12.7 billion (U.S.$136 million) to ¥3.0 billion (U.S.$32 million), owing to the rise in the gross profit ratio combined with a reduction in expenses.

Cash Flow

In the first quarter of 2010, cash flow from operating activities totaled ¥161.7 billion (U.S.$1,738 million), an increase of ¥109.2 billion (U.S.$1,174 million) year on year, mainly due to the significant increase in profit. Although investments to subsidiaries increased significantly, such as for the acquisition of shares of Océ N.V. to strengthen the printing business, capital investment was focused on items relevant to introducing new products, restraining the year-on-year increase of cash flow from investing activities slightly by ¥9.1 billion (U.S.$98 million) to a total of ¥111.1 billion (U.S.$1,195 million). Accordingly, free cash flow totaled positive ¥50.6 billion (U.S.$544 million), a turnaround of ¥100.1 billion (U.S.$1,077 million) from the corresponding year-ago period.

Cash flow from financing activities recorded an outlay of ¥124.3 billion (U.S.$1,336 million), mainly arising from the dividend payout coupled with the partial repayment of borrowings of Océ N.V., which was made a subsidiary of Canon. Consequently, cash and cash equivalents decreased by ¥79.5 billion (U.S.$855 million) to ¥715.5 billion (U.S.$7,694 million) from the end of the previous year.

Outlook

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

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

With regard to currency exchange rates for the second quarter onward, on which Canon s performance outlook is based, despite the continued uncertainty over future interest rate policies for major countries along with the speed and level of economic recovery and other factors, Canon anticipates exchange rates for the period of ¥90 to the U.S. dollar and ¥125 to the euro, representing an appreciation of approximately ¥3 against the U.S. dollar, and approximately ¥5 against the euro compared with the previous year. Upon taking into consideration current business sentiment based on these foreign exchange rate assumptions, Canon projects net sales of ¥3,750.0 billion (U.S.$40,323 million), a year-on-year increase of 16.9%; operating profit of ¥360.0 billion (U.S.$3,871 million), a year-on-year increase of 65.9%; income before income taxes of ¥360.0 billion (U.S.$3,871 million), a year-on-year increase of 64.1%; and net income attributable to Canon Inc. of ¥240.0 billion (U.S.$2,581 million), a year-on-year increase of 82.3%.

Consolidated Outlook

Fiscal year

	Millions of yen				
	Year ending December 31, 2010		Change	Year ended December 31, 2009	Change (%)
	Previous Outlook (A)	Revised Outlook (B)	(B - A)	Results (C)	(B - C) / C
Net sales	¥ 3,450,000	¥ 3,750,000	¥ 300,000	¥ 3,209,201	+ 16.9%
Operating profit	330,000	360,000	30,000	217,055	+ 65.9%
Income before income taxes	320,000	360,000	40,000	219,355	+ 64.1%
Net income attributable to Canon Inc.	¥ 200,000	¥ 240,000	¥ 40,000	¥ 131,647	+ 82.3%

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

II. Financial Statements

1. CONSOLIDATED BALANCE SHEETS

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2010	As of December 31, 2009	Change	**As of March 31, 2010**
ASSETS				
Current assets:				
Cash and cash equivalents	**¥ 715,541**	¥ 795,034	¥ (79,493)	**$ 7,693,989**
Short-term investments	**19,705**	19,089	616	**211,882**
Trade receivables, net	**544,976**	556,572	(11,596)	**5,859,957**
Inventories	**456,292**	373,241	83,051	**4,906,366**
Prepaid expenses and other current assets	**286,360**	273,843	12,517	**3,079,139**
Total current assets	**2,022,874**	2,017,779	5,095	**21,751,333**
Noncurrent receivables	**14,896**	14,936	(40)	**160,172**
Investments	**94,357**	114,066	(19,709)	**1,014,591**
Property, plant and equipment, net	**1,300,755**	1,269,785	30,970	**13,986,613**
Intangible assets, net	**119,448**	117,396	2,052	**1,284,387**
Other assets	**480,480**	313,595	166,885	**5,166,452**
Total assets	**¥4,032,810**	¥ 3,847,557	¥ 185,253	**$43,363,548**
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term loans and current portion of long-term debt	**¥ 30,636**	¥ 4,869	¥ 25,767	**$ 329,419**
Trade payables	**371,122**	339,113	32,009	**3,990,559**
Accrued income taxes	**41,987**	50,105	(8,118)	**451,473**
Accrued expenses	**322,650**	274,300	48,350	**3,469,355**
Other current liabilities	**114,180**	115,303	(1,123)	**1,227,742**
Total current liabilities	**880,575**	783,690	96,885	**9,468,548**
Long-term debt, excluding current installments	**5,414**	4,912	502	**58,215**
Accrued pension and severance cost	**187,151**	115,904	71,247	**2,012,376**
Other noncurrent liabilities	**72,366**	63,651	8,715	**778,129**
Total liabilities	**1,145,506**	968,157	177,349	**12,317,268**

Equity:				
Canon Inc. stockholders equity:				
Common stock	**174,762**	174,762	-	**1,879,161**
Additional paid-in capital	**404,387**	404,293	94	**4,348,247**
Legal reserve	**55,313**	54,687	626	**594,764**
Retained earnings	**2,859,701**	2,871,437	(11,736)	**30,749,473**
Accumulated other comprehensive income (loss)	**(261,990)**	(260,818)	(1,172)	**(2,817,097)**
Treasury stock, at cost	**(556,264)**	(556,252)	(12)	**(5,981,333)**
Total Canon Inc. stockholders equity	**2,675,909**	2,688,109	(12,200)	**28,773,215**
Noncontrolling interests	**211,395**	191,291	20,104	**2,273,065**
Total equity	**2,887,304**	2,879,400	7,904	**31,046,280**
Total liabilities and equity	**¥4,032,810**	¥ 3,847,557	¥ 185,253	**$43,363,548**

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2010	As of December 31, 2009	**As of March 31, 2010**
Notes:			
1. Allowance for doubtful receivables	**¥ 11,929**	¥ 11,343	**$ 128,269**
2. Accumulated depreciation	**1,853,695**	1,815,982	**19,932,204**
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	**(204,706)**	(202,628)	**(2,201,140)**
Net unrealized gains and losses on securities	**3,930**	3,285	**42,258**
Net gains and losses on derivative instruments	**330**	71	**3,548**
Pension liability adjustments	**(61,544)**	(61,546)	**(661,763)**

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2010	Three months ended March 31, 2009	Change(%)	**Three months ended March 31, 2010**
Net sales	**¥755,526**	¥ 687,034	+ 10.0	**$ 8,123,935**
Cost of sales	**386,958**	388,220		**4,160,838**
Gross profit	**368,568**	298,814	+ 23.3	**3,963,097**
Operating expenses:				
Selling, general and administrative expenses	**210,792**	205,993		**2,266,581**
Research and development expenses	**70,933**	72,789		**762,720**
	281,725	278,782		**3,029,301**
Operating profit	**86,843**	20,032	+ 333.5	**933,796**
Other income (deductions):				
Interest and dividend income	**1,021**	1,434		**10,978**
Interest expense	**(86)**	(84)		**(925)**
Other, net	**1,074**	1,012		**11,549**
	2,009	2,362		**21,602**
Income before income taxes	**88,852**	22,394	+ 296.8	**955,398**
Income taxes	**30,117**	6,759		**323,839**
Consolidated net income	**58,735**	15,635		**631,559**
Less: Net income (loss) attributable to noncontrolling interests	**1,924**	(2,109)		**20,688**
Net income attributable to Canon Inc.	**¥ 56,811**	¥ 17,744	+ 220.2	**$ 610,871**

Note: Consolidated comprehensive income for the three months ended March 31, 2010 and 2009 was JPY 57,842 million (U.S.$621,957 thousand) and JPY 53,873 million, respectively.

3. DETAILS OF SALES

Sales by business unit	Millions of yen	Thousands of U.S. dollars

	Three months ended March 31, 2010	Three months ended March 31, 2009	Change(%)	Three months ended March 31, 2010
Office	**¥409,134**	¥ 378,670	+ 8.0	**$ 4,399,290**
Consumer	**290,287**	242,392	+ 19.8	**3,121,366**
Industry and Others	**82,328**	85,854	- 4.1	**885,247**
Eliminations	**(26,223)**	(19,882)	-	**(281,968)**
Total	**¥755,526**	¥ 687,034	+ 10.0	**$ 8,123,935**

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2010	Three months ended March 31, 2009	Change(%)	**Three months ended March 31, 2010**
Japan	**¥167,516**	¥ 169,504	- 1.2	**$ 1,801,247**
Overseas:				
Americas	**204,555**	176,331	+ 16.0	**2,199,516**
Europe	**230,678**	210,067	+ 9.8	**2,480,409**
Other areas	**152,777**	131,132	+ 16.5	**1,642,763**
	588,010	517,530	+ 13.6	**6,322,688**
Total	**¥755,526**	¥ 687,034	+ 10.0	**$ 8,123,935**

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

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

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

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

2. The principal countries and regions included in each regional category are as follows:
Americas: United States of America, Canada, Latin America / Europe: England, Germany, France, Netherlands / Other Areas: Asian regions, China, Oceania

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31, 2010	Three months ended March 31, 2009	**Three months ended March 31, 2010**
Cash flows from operating activities:			
Consolidated net income	**¥ 58,735**	¥ 15,635	**$ 631,559**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**60,253**	75,523	**647,882**
Loss on disposal of property, plant and equipment	**1,741**	1,176	**18,720**
Deferred income taxes	**(664)**	(6,312)	**(7,140)**
Decrease in trade receivables	**67,093**	121,931	**721,430**
(Increase) decrease in inventories	**(50,862)**	18,290	**(546,903)**
Increase (decrease) in trade payables	**14,303**	(129,424)	**153,796**
Decrease in accrued income taxes	**(6,309)**	(54,352)	**(67,839)**
Increase (decrease) in accrued expenses	**3,322**	(8,687)	**35,720**
Increase (decrease) in accrued (prepaid) pension and severance cost	**1,291**	(140)	**13,882**
Other, net	**12,751**	18,806	**137,108**
Net cash provided by operating activities	**161,654**	52,446	**1,738,215**
Cash flows from investing activities:			
Purchases of fixed assets	**(50,518)**	(105,084)	**(543,204)**
Proceeds from sale of fixed assets	**631**	1,339	**6,785**
Purchases of available-for-sale securities	**(8,842)**	(6)	**(95,075)**
Proceeds from sale and maturity of available-for-sale securities	**24**	214	**258**
Decrease in time deposits, net	**937**	2,885	**10,075**
Acquisitions of subsidiaries, net of cash acquired	**(52,959)**	(168)	**(569,452)**
Purchases of other investments	**(505)**	(54)	**(5,430)**
Other, net	**127**	(1,152)	**1,366**
Net cash used in investing activities	**(111,105)**	(102,026)	**(1,194,677)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	**1,815**	593	**19,516**
Repayments of long-term debt	**(1,213)**	(1,532)	**(13,043)**
Increase (decrease) in short-term loans, net	**(55,590)**	96	**(597,742)**
Dividends paid	**(67,897)**	(67,897)	**(730,075)**

Repurchases of treasury stock, net	**(12)**	(9)	**(129)**
Other, net	**(1,370)**	(2,209)	**(14,731)**
Net cash used in financing activities	**(124,267)**	(70,958)	**(1,336,204)**
Effect of exchange rate changes on cash and cash equivalents	**(5,775)**	18,535	**(62,097)**
Net change in cash and cash equivalents	**(79,493)**	(102,003)	**(854,763)**
Cash and cash equivalents at beginning of period	**795,034**	679,196	**8,548,752**
Cash and cash equivalents at end of period	**¥ 715,541**	¥ 577,193	**$ 7,693,989**

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2010	Three months ended March 31, 2009	Change(%)	**Three months ended March 31, 2010**
Office				
Net sales:				
External customers	**¥ 405,516**	¥ 376,162	+ 7.8	**$ 4,360,387**
Intersegment	**3,618**	2,508	+ 44.3	**38,903**
Total	**409,134**	378,670	+ 8.0	**4,399,290**
Operating cost and expenses	**337,047**	330,768	+ 1.9	**3,624,161**
Operating profit	**¥ 72,087**	¥ 47,902	+ 50.5	**$ 775,129**
Consumer				
Net sales:				
External customers	**¥ 289,729**	¥ 241,893	+ 19.8	**$ 3,115,366**
Intersegment	**558**	499	+ 11.8	**6,000**
Total	**290,287**	242,392	+ 19.8	**3,121,366**
Operating cost and expenses	**242,954**	224,638	+ 8.2	**2,612,409**
Operating profit	**¥ 47,333**	¥ 17,754	+ 166.6	**$ 508,957**
Industry and Others				
Net sales:				
External customers	**¥ 60,281**	¥ 68,979	- 12.6	**$ 648,182**
Intersegment	**22,047**	16,875	+ 30.6	**237,065**
Total	**82,328**	85,854	- 4.1	**885,247**
Operating cost and expenses	**85,283**	101,495	- 16.0	**917,021**
Operating profit (loss)	**¥ (2,955)**	¥ (15,641)	-	**$ (31,774)**

Corporate and Eliminations				
Net sales:				
External customers	¥ **-**	¥ -	-	$ **-**
Intersegment	**(26,223)**	(19,882)	-	**(281,968)**
Total	**(26,223)**	(19,882)	-	**(281,968)**
Operating cost and expenses	**3,399**	10,101	-	**36,548**
Operating profit	¥ **(29,622)**	¥ (29,983)	-	$ **(318,516)**
Consolidated				
Net sales:				
External customers	¥ **755,526**	¥ 687,034	+ 10.0	$ **8,123,935**
Intersegment	**-**	-	-	**-**
Total	**755,526**	687,034	+ 10.0	**8,123,935**
Operating cost and expenses	**668,683**	667,002	+ 0.3	**7,190,139**
Operating profit	¥ **86,843**	¥ 20,032	+ 333.5	$ **933,796**

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

	Millions of yen			Thousands of U.S. dollars
	Three months ended March 31, 2010	Three months ended March 31, 2009	Change(%)	**Three months ended March 31, 2010**
Japan				
Net sales:				
External customers	**¥ 189,383**	¥ 213,695	- 11.4	**$ 2,036,376**
Intersegment	**434,195**	304,291	+ 42.7	**4,668,764**
Total	**623,578**	517,986	+ 20.4	**6,705,140**
Operating cost and expenses	**528,433**	485,672	+ 8.8	**5,682,075**
Operating profit	**¥ 95,145**	¥ 32,314	+ 194.4	**$ 1,023,065**
Americas				
Net sales:				
External customers	**¥ 201,047**	¥ 171,141	+ 17.5	**$ 2,161,796**
Intersegment	**324**	778	- 58.4	**3,484**
Total	**201,371**	171,919	+ 17.1	**2,165,280**
Operating cost and expenses	**197,425**	172,058	+ 14.7	**2,122,850**
Operating profit (loss)	**¥ 3,946**	¥ (139)	-	**$ 42,430**
Europe				
Net sales:				
External customers	**¥ 228,850**	¥ 208,862	+ 9.6	**$ 2,460,753**
Intersegment	**1,256**	435	+ 188.7	**13,505**
Total	**230,106**	209,297	+ 9.9	**2,474,258**
Operating cost and expenses	**223,272**	200,986	+ 11.1	**2,400,774**
Operating profit	**¥ 6,834**	¥ 8,311	- 17.8	**$ 73,484**

Others							
Net sales:							
External customers	¥	**136,246**	¥	93,336	+	46.0	$ **1,465,010**
Intersegment		**151,761**		90,352	+	68.0	**1,631,839**
Total		**288,007**		183,688	+	56.8	**3,096,849**
Operating cost and expenses		**277,192**		179,598	+	54.3	**2,980,559**
Operating profit	¥	**10,815**	¥	4,090	+	164.4	$ **116,290**
Corporate and Eliminations							
Net sales:							
External customers	¥	**-**	¥	-		-	$ **-**
Intersegment		**(587,536)**		(395,856)		-	**(6,317,592)**
Total		**(587,536)**		(395,856)		-	**(6,317,592)**
Operating cost and expenses		**(557,639)**		(371,312)		-	**(5,996,119)**
Operating profit	¥	**(29,897)**	¥	(24,544)		-	$ **(321,473)**
Consolidated							
Net sales:							
External customers	¥	**755,526**	¥	687,034	+	10.0	$ **8,123,935**
Intersegment		**-**		-		-	**-**
Total		**755,526**		687,034	+	10.0	**8,123,935**
Operating cost and expenses		**668,683**		667,002	+	0.3	**7,190,139**
Operating profit	¥	**86,843**	¥	20,032	+	333.5	$ **933,796**

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS EQUITY

None.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

	March 31, 2010	December 31, 2009	Net Change
Subsidiaries	307	241	66
Affiliates	15	15	-
Total	322	256	66

2. Change in Group Entities

Subsidiaries
Addition: 77 companies
Removal: 11 companies

Affiliates (Carried at Equity Basis)
Addition: 2 companies
Removal: 2 companies

3. Subsidiaries Listed on Domestic Stock Exchange

Tokyo Stock Exchange (1st section): Canon Marketing Japan Inc., Canon Electronics Inc., Canon Finetech Inc.
Tokyo Stock Exchange (2nd section): Canon Software Inc.
Osaka Securities Exchange (2nd section): Canon Machinery Inc.
JASDAQ: Tokki Corporation
Osaka Securities Exchange (Hercules): e-System Corporation

(2) SIGNIFICANT ACCOUNTING POLICIES

Canon s consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.

Canon Inc.

April 26, 2010

CONSOLIDATED FINANCIAL RESULTS FOR
THE FIRST QUARTER ENDED MARCH 31, 2010
SUPPLEMENTARY REPORT
TABLE OF CONTENTS

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

Canon Inc.

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(Millions of yen)

	2010		2009		Change year over year	
	1st quarter	Year (P)	1st quarter	Year	1st quarter	Year
Japan						
Office	95,514	-	97,417	374,275	-2.0%	-
Consumer	46,177	-	44,954	219,036	+2.7%	-
Industry and Others	25,825	-	27,133	109,033	-4.8%	-
Total	167,516	716,700	169,504	702,344	-1.2%	+2.0%
Overseas						
Office	310,002	-	278,745	1,260,781	+11.2%	-
Consumer	243,552	-	196,939	1,080,158	+23.7%	-
Industry and Others	34,456	-	41,846	165,918	-17.7%	-
Total	588,010	3,033,300	517,530	2,506,857	+13.6%	+21.0%
Americas						
Office	119,557	-	104,981	485,180	+13.9%	-
Consumer	76,165	-	62,684	367,035	+21.5%	-
Industry and Others	8,833	-	8,666	41,939	+1.9%	-
Total	204,555	1,040,300	176,331	894,154	+16.0%	+16.3%
Europe						
Office	137,852	-	129,873	565,656	+6.1%	-
Consumer	86,183	-	73,929	405,173	+16.6%	-
Industry and Others	6,643	-	6,265	24,321	+6.0%	-

Total	230,678	1,230,500	210,067	995,150	+9.8%	+23.6%
Other areas						
Office	52,593	-	43,891	209,945	+19.8%	-
Consumer	81,204	-	60,326	307,950	+34.6%	-
Industry and Others	18,980	-	26,915	99,658	-29.5%	-
Total	152,777	762,500	131,132	617,553	+16.5%	+23.5%
Intersegment						
Office	3,618	-	2,508	10,020	+44.3%	-
Consumer	558	-	499	1,966	+11.8%	-
Industry and Others	22,047	-	16,875	83,047	+30.6%	-
Eliminations	(26,223)	-	(19,882)	(95,033)	-	-
Total	0	0	0	0	-	-
Total						
Office	409,134	2,043,000	378,670	1,645,076	+8.0%	+24.2%
Consumer	290,287	1,385,000	242,392	1,301,160	+19.8%	+6.4%
Industry and Others	82,328	398,000	85,854	357,998	-4.1%	+11.2%
Eliminations	(26,223)	(76,000)	(19,882)	(95,033)	-	-
Total	755,526	3,750,000	687,034	3,209,201	+10.0%	+16.9%

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Canon Inc.

2. SEGMENT INFORMATION BY BUSINESS UNIT (Millions of yen)

	2010		2009		Change year over year	
	1st quarter	Year (P)	1st quarter	Year	1st quarter	Year
Office						
External customers	405,516	2,035,900	376,162	1,635,056	+7.8%	+24.5%
Intersegment	3,618	7,100	2,508	10,020	+44.3%	-29.1%
Total sales	409,134	2,043,000	378,670	1,645,076	+8.0%	+24.2%
Operating profit	72,087	298,000	47,902	229,396	+50.5%	+29.9%
% of sales	17.6%	14.6%	12.7%	13.9%	-	-
Consumer						
External customers	289,729	1,382,600	241,893	1,299,194	+19.8%	+6.4%
Intersegment	558	2,400	499	1,966	+11.8%	+22.1%
Total sales	290,287	1,385,000	242,392	1,301,160	+19.8%	+6.4%
Operating profit	47,333	224,000	17,754	183,492	+166.6%	+22.1%
% of sales	16.3%	16.2%	7.3%	14.1%	-	-
Industry and Others						
External customers	60,281	331,500	68,979	274,951	-12.6%	+20.6%
Intersegment	22,047	66,500	16,875	83,047	+30.6%	-19.9%
Total sales	82,328	398,000	85,854	357,998	-4.1%	+11.2%
Operating profit	(2,955)	(5,300)	(15,641)	(75,956)	-	-
% of sales	-3.6%	-1.3%	-18.2%	-21.2%	-	-
Corporate and Eliminations						
External customers	-	-	-	-	-	-
Intersegment	(26,223)	(76,000)	(19,882)	(95,033)	-	-
Total sales	(26,223)	(76,000)	(19,882)	(95,033)	-	-

Operating profit	(29,622)	(156,700)	(29,983)	(119,877)	-	-
Consolidated						
External customers	755,526	3,750,000	687,034	3,209,201	+10.0%	+16.9%
Intersegment	-	-	-	-	-	-
Total sales	755,526	3,750,000	687,034	3,209,201	+10.0%	+16.9%
Operating profit	86,843	360,000	20,032	217,055	+333.5%	+65.9%
% of sales	11.5%	9.6%	2.9%	6.8%	-	-

(P)=Projection

3. OTHER INCOME / DEDUCTIONS (Millions of yen)

	2010		2009		Change year over year	
	1st quarter	Year (P)	1st quarter	Year	1st quarter	Year
Interest and dividend, net	935	3,300	1,350	4,866	(415)	(1,566)
Forex gain / loss	2,746	2,200	3,755	1,842	(1,009)	+358
Equity earnings / loss of affiliated companies	(3,181)	(9,700)	(5,306)	(12,649)	+2,125	+2,949
Other, net	1,509	4,200	2,563	8,241	(1,054)	(4,041)
Total	2,009	0	2,362	2,300	(353)	(2,300)

(P)=Projection

Canon Inc.

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

	2010		2009	
	1st quarter	Year (P)	1st quarter	Year
Office				
Monochrome copiers	18%	16%	20%	20%
Color copiers	20%	17%	20%	19%
Other printing devices	54%	47%	51%	53%
Others	8%	20%	9%	8%
Consumer				
Cameras	67%	68%	64%	68%
Inkjet printers	27%	25%	28%	25%
Others	6%	7%	8%	7%
Industry and Others				
Lithography equipment	9%	22%	27%	19%
Others	91%	78%	73%	81%

(P)=Projection

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

	2010	
	1st quarter	Year (P)
Office		
Japan	-2.0%	-
Overseas	+13.2%	-
Total	+9.5%	+27.3%
Consumer		
Japan	+2.7%	-
Overseas	+23.6%	-
Total	+19.7%	+9.2%

Industry and Others		
Japan	-4.8%	-
Overseas	-18.0%	-
Total	-4.3%	+11.7%
Total		
Japan	-1.2%	+2.0%
Overseas	+14.7%	+24.6%
Americas	+20.8%	+20.2%
Europe	+8.9%	+28.4%
Other areas	+15.7%	+24.8%
Total	+10.8%	+19.7%

(P)=Projection

Canon Inc.

6. PROFITABILITY

	2010		2009	
	1st quarter	Year (P) *	1st quarter	Year
ROE *1	8.5%	8.7%	2.7%	4.9%
ROA *2	5.8%	6.2%	1.8%	3.4%

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

(P)=Projection

*2 Based on Net Income attributable to Canon Inc.

* Excludes portion attributable to newly consolidated companies

7. IMPACT OF FOREIGN EXCHANGE RATES

(1) Exchange rates

(Yen)

	2010			2009	
	1st quarter	2nd-4th quarter (P)	Year (P)	1st quarter	Year
Yen/US$	90.63	90.00	90.14	93.86	93.21
Yen/Euro	125.07	125.00	125.01	121.85	130.46

(P)=Projection

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

(Billions of yen)

	2010	
	1st quarter	Year (P)
US$	(11.5)	(50.1)
Euro	+4.1	(35.8)
Other currencies	+2.7	+2.7
Total	(4.7)	(83.2)

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

	2010
	2nd-4th quarter (P)
On sales	
US$	13.7
Euro	6.4
On operating profit	
US$	6.8
Euro	4.1

(P)=Projection

8. STATEMENTS OF CASH FLOWS

(Millions of yen)

	2010		2009	
	1st quarter	Year (P) *	1st quarter	Year
Net cash provided by operating activities	161,654	590,000	52,446	611,235
Net cash used in investing activities	(111,105)	(350,000)	(102,026)	(370,244)
Free cash flow	50,549	240,000	(49,580)	240,991
Net cash used in financing activities	(124,267)	(225,000)	(70,958)	(142,379)
Effect of exchange rate changes on cash and cash equivalents	(5,775)	(10,000)	18,535	17,226
Net change in cash and cash equivalents	(79,493)	5,000	(102,003)	115,838
Cash and cash equivalents at end of period	715,541	800,000	577,193	795,034

*Excludes portion attributable to newly consolidated companies

(P)=Projection

Canon Inc.

9. R&D EXPENDITURE

(Millions of yen)

	2010		2009	
	1st quarter *	Year (P) *	1st quarter	Year
Office	18,299	-	19,376	78,872
Consumer	19,952	-	17,997	74,131
Industry and Others	4,524	-	5,921	23,300
Corporate and Eliminations	28,158	-	29,495	128,297
Total	70,933	315,000	72,789	304,600
% of sales	9.4%	9.1%	10.6%	9.5%

*Excludes portion attributable to newly consolidated companies (P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

	2010		2009	
	1st quarter *	Year (P) *	1st quarter	Year
Increase in PP&E	38,572	210,000	61,917	216,128
Depreciation and amortization	60,253	295,000	75,523	315,393

*Excludes portion attributable to newly consolidated companies (P)=Projection

11. INVENTORIES

(1) Inventories

(Millions of yen)

	2010 Mar.31	2009 Dec.31	Difference
Office	191,668	144,941	+46,727
Consumer	131,733	113,975	+17,758
Industry and Others	132,891	114,325	+18,566
Total	456,292	373,241	+83,051

(2) Inventories/Sales*

(Days)

	2010 Mar.31	2009 Dec.31	Difference
Office	40	30	+10
Consumer	34	29	+5
Industry and Others	183	158	+25
Total	49	39	+10

*Index based on the previous six months sales.

12. DEBT RATIO

	2010 Mar.31	2009 Dec.31	Difference
Total debt / Total assets	0.9%	0.3%	+0.6%

13. OVERSEAS PRODUCTION RATIO

	2010 1st quarter *	2009 Year
Overseas production ratio	45%	40%

*Excludes portion attributable to newly consolidated companies

14. NUMBER OF EMPLOYEES

	2010 Mar.31	2009 Dec.31	Difference
Japan	72,936	73,635	(699)
Overseas	113,961	95,244	+18,717
Total	186,897	168,879	+18,018