

CANON INC
Form 6-K
May 01, 2009

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**..... , **2009**

CANON INC.

(Translation of registrant's name into English)
30-2, Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan

(Address of principal executive offices)

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

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

[If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANON INC.
(Registrant)

Date.... **April 30, 2009**.....

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, 2009
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CONSOLIDATED RESULTS FOR
THE FIRST QUARTER ENDED MARCH 31, 2009

April 30, 2009

CONSOLIDATED RESULTS

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

| | Actual | | Change(%) | Projected | | |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------|-----------------------------------|-------------------------------|-----------|
| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | | Three months ended March 31, 2009 | Year ending December 31, 2009 | Change(%) |
| Net sales | ¥ 687,034 | ¥ 1,007,538 | - 31.8 | \$ 7,010,551 | ¥ 3,330,000 | - 18.7 |
| Operating profit | 20,032 | 170,830 | - 88.3 | 204,408 | 180,000 | - 63.7 |
| Income before income taxes | 22,394 | 166,642 | - 86.6 | 228,510 | 180,000 | - 62.6 |
| Net income attributable to Canon Inc. | ¥ 17,744 | ¥ 106,644 | - 83.4 | \$ 181,061 | ¥ 110,000 | - 64.4 |

Net income attributable to Canon Inc. stockholders per share:

| | | | | | | |
|-----------|---------|---------|--------|---------|---------|--------|
| - Basic | ¥ 14.37 | ¥ 84.57 | - 83.0 | \$ 0.15 | ¥ 89.11 | - 63.8 |
| - Diluted | 14.37 | 84.56 | - 83.0 | 0.15 | - | - |

| | Actual | | Change(%) | As of March 31, 2009 |
|--------------------------------|----------------------|-------------------------|-----------|----------------------|
| | As of March 31, 2009 | As of December 31, 2008 | | |
| Total assets | ¥3,751,117 | ¥ 3,969,934 | - 5.5 | \$ 38,276,704 |
| Canon Inc. stockholders equity | ¥2,647,032 | ¥ 2,659,792 | - 0.5 | \$ 27,010,531 |

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 JPY98 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2009, 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

2009 First Quarter in Review

Looking back at the global economy in the first quarter of 2009, the severity of the global recession that struck last year increased among developed and emerging countries. In the United States, deteriorating employment conditions and other factors continued to negatively affect personal consumption, whereas in Europe, exports continued to shrink and consumer spending weakened further. In Japan, reductions in corporate capital spending, coupled with a decrease in exports and declining inventory levels mainly in the manufacturing industry, have clearly had a negative impact on the real economy. Furthermore, growth in Asia and other emerging economies decelerated due to waning exports, thereby depriving the global economy of an engine for growth. As for the foreign exchange market, although the unilateral appreciation of the yen that began in early autumn last year reversed, the yen remained relatively highly valued against other foreign currencies during the quarter.

As for the markets in which Canon operates amid these conditions, within the office imaging products market, sales of monochrome and color network digital multifunction devices (MFDs) remained low due to continued restrained corporate investment in each region. In the computer peripherals market, in addition to a drop in demand for monochrome models, sales of color laser beam printers, which had enjoyed healthy expansion, fell below the year-ago level. With regard to inkjet printers, a significant decrease in demand for single-function models resulted in a contraction of the market compared with the previous year. As for the cameras segment, while demand for digital single-lens reflex (SLR) cameras achieved solid growth, demand for compact digital cameras declined amid further drops in prices. With respect to the optical equipment segment, demand fell for both aligners, used to produce liquid crystal display (LCD) panels, and for steppers, utilized in the production of semiconductors. The average value of the yen during the first-quarter was ¥93.86 to the U.S. dollar, a year-on-year appreciation of about 12%, and ¥121.85 to the euro, a year-on-year appreciation of approximately 29%.

Net sales for the period totaled ¥687.0 billion (U.S.\$7,011 million), a year-on-year decline of 31.8%, mainly due to the effects of substantially reduced sales volumes arising from decreased demand for network MFDs and laser beam printers, along with the substantial rise in the value of the yen. Despite the launch of new products and ongoing cost-cutting efforts targeting an improved gross profit ratio, such factors as the appreciation of the yen, reduction in sales volumes and falling product prices led to a 6.1 point decline in the ratio to 43.5%. Consequently, gross profit decreased by 40.2% to ¥298.8 billion (U.S.\$3,049 million). Although, operating expenses declined by 15.3% owing to a Group-wide effort to curb expenses, operating profit dropped 88.3% to ¥20.0 billion (U.S.\$204 million). Other income (deductions) reversed to positive by ¥6.6 billion (U.S.\$67 million), mainly due to an improvement in currency exchange losses. As a result, income before income taxes totaled ¥22.4 billion (U.S.\$229 million), a decline of 86.6%, while net income attributable to Canon Inc. also recorded a decrease of 83.4% to ¥17.7 billion (U.S.\$181 million).

Basic net income attributable to Canon Inc. stockholders per share was ¥14.37 (U.S.\$0.15), a year-on-year decline of ¥70.20 (U.S.\$0.72).

Results by Product Segment

Looking at Canon's first-quarter performance by business sector, within the business machines segment, demand for office equipment declined significantly amid the rapid deterioration of economic conditions. As for office imaging products, while demand for digital commercial printers increased, flagging sales in major regions for network digital MFDs along with the strong yen resulted in a year-on-year decline in sales of 31.3% for the segment. In the field of computer peripherals, the significant drop in demand for laser beam printers along with the decline in sales due to the need to reduce distribution inventories, combined with the appreciation of the yen, resulted in a sales decrease of 41.9% compared with the year-ago period. As for inkjet printers, amid a shrinking global market, while sales volume displayed solid growth in the Americas which contributed to minimizing the decrease of sales volume for the segment overall, the impact of the yen's appreciation and falling prices resulted in a decline in sales by 26.6%. Consequently, sales for the computer peripherals segment overall dropped by 38.0%. As for business information products, reduced personal computer sales in the Japanese domestic market resulted in a sales decline of 23.7%. Collectively, sales of business machines overall totaled ¥451.6 billion (U.S.\$4,608 million), down 34.7%, while operating profit totaled ¥59.1 billion (U.S.\$603 million), falling 63.8% mainly due to the significant decrease in gross profit stemming from the reduction in sales.

Within the cameras segment, the high-resolution, competitively priced EOS Digital Rebel XSi (EOS 450D) and advanced-amateur model EOS 5D Mark II digital SLR cameras continued to enjoy healthy sales during the quarter, contributing to growth in sales volume. As for compact digital cameras, although the introduction of four new ELPH (IXUS)-series models and four PowerShot-series models was well received, sales volume contracted year on year amid stagnant market conditions. Consequently, along with the impact of falling average sales prices and the appreciation of the yen, sales for the cameras segment overall declined by 24.4% to ¥165.5 billion (U.S.\$1,689 million). Additionally, operating profit for the sector decreased by 82.9% to ¥7.8 billion (U.S.\$80 million) mainly as a result of the drop in sales value coupled with the significant decline in the gross profit ratio.

In the optical and other products segment, sales of steppers remained stagnant due to aggravating market conditions for memory chips. As a result, sales for the segment totaled ¥69.9 billion (U.S.\$713 million), a decline of 27.8%. Operating profit dropped to negative ¥11.3 billion (U.S.\$116 million) due to the significant drop in sales and other factors.

Cash Flow

In the first quarter of 2009, Canon generated cash flow from operating activities of ¥52.4 billion (U.S.\$535 million), a decrease of ¥55.0 billion (U.S.\$562 million) compared with the previous year, mainly reflecting the reduction in consolidated net income. As capital investments was focused on items relevant to introducing new products and achieving cost reductions, cash flow from investing activities totaled ¥102.0 billion (U.S.\$1,041 million), a year-on-year decrease of ¥87.5 billion (U.S.\$892 million). Accordingly, free cash flow totaled negative ¥49.6 billion (U.S.\$506 million), a decrease of ¥32.4 billion (U.S.\$331 million) from the year-ago period.

Cash flow from financing activities recorded an outlay of ¥71.0 billion (U.S.\$724 million), mainly arising from the dividend payout of ¥67.9 billion (U.S.\$693 million). Consequently, cash and cash equivalents decreased by ¥102.0 billion (U.S.\$1,041 million) to ¥577.2 billion (U.S.\$5,890 million) from the end of the previous year.

Outlook

As for the outlook for the global economy in the second quarter and thereafter, although countries worldwide began launching various economic stimulus packages and financial policies in response to the current global recession, it is still expected to take considerable time before the effects of such measures will be felt and the global economy realizes a turnaround.

In the businesses in which Canon is involved, demand for network digital MFDs and laser beam printers is projected to remain sluggish for both monochrome and color models due to market reluctance in purchasing office equipment. Demand for inkjet printers and compact digital cameras is expected to remain stagnant in the near term due to the drop in consumer sentiment resulting from the weak economy, whereas demand for digital SLR cameras is expected to remain strong. With respect to steppers and aligners, demand is expected to further decline as device makers and LCD panel manufacturers reassess their capital expenditure plans.

With regard to currency exchange rates for the second quarter onward, on which Canon's performance outlook for the full year is based, despite the continued uncertainty over future interest rate policies, economic prospects and other factors for major countries, Canon anticipates exchange rates for the period of ¥95 to the U.S. dollar and ¥125 to the euro, representing an appreciation of approximately 9% against the U.S. dollar, and about 22% against the euro for the full year. Upon taking into consideration first-quarter business results along with current market conditions based on these foreign exchange rate assumptions, Canon has revised its previously announced projections and now anticipates net sales of ¥3,330.0 billion (U.S.\$33,980 million), operating profit of ¥180.0 billion (U.S.\$1,837 million), income before income taxes of ¥180.0 billion (U.S.\$1,837 million) and net income attributable to Canon Inc. of ¥110.0 billion (U.S.\$1,122 million).

Consolidated Outlook

| Fiscal year | Millions of yen | | | | |
|--|----------------------------|------------------------|-------------------|------------------------------------|---------------|
| | Year ending | | | Year ended December 31, 2008 | Change (%) |
| | December 31, 2009 | | Change (B - A) | | |
| | Previous Outlook (A) | Revised Outlook (B) | | Results (C) | (B - C) / C |
| Net sales | ¥ 3,500,000 | ¥ 3,330,000 | ¥ (170,000) | ¥ 4,094,161 | - 18.7% |
| Operating profit | 160,000 | 180,000 | 20,000 | 496,074 | - 63.7% |
| Income before income taxes | 160,000 | 180,000 | 20,000 | 481,147 | - 62.6% |
| Net income attributable to Canon Inc. | ¥ 98,000 | ¥ 110,000 | ¥ 12,000 | ¥ 309,148 | - 64.4% |

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

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | As of March 31, 2009 | Millions of yen As of December 31, 2008 | Change | Thousands of U.S. dollars As of March 31, 2009 |
|--|----------------------------|---|--------------------|--|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 577,193 | ¥ 679,196 | ¥ (102,003) | \$ 5,889,724 |
| Short-term investments | 4,584 | 7,651 | (3,067) | 46,776 |
| Trade receivables, net | 485,413 | 595,422 | (110,009) | 4,953,194 |
| Inventories | 499,963 | 506,919 | (6,956) | 5,101,663 |
| Prepaid expenses and other current assets | 280,631 | 275,660 | 4,971 | 2,863,582 |
| Total current assets | 1,847,784 | 2,064,848 | (217,064) | 18,854,939 |
| Noncurrent receivables | 14,730 | 14,752 | (22) | 150,306 |
| Investments | 81,944 | 88,825 | (6,881) | 836,163 |
| Property, plant and equipment, net | 1,357,856 | 1,357,186 | 670 | 13,855,673 |
| Intangible assets, net | 120,532 | 119,140 | 1,392 | 1,229,918 |
| Other assets | 328,271 | 325,183 | 3,088 | 3,349,705 |
| Total assets | ¥3,751,117 | ¥ 3,969,934 | ¥ (218,817) | \$ 38,276,704 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 5,484 | ¥ 5,540 | ¥ (56) | \$ 55,959 |
| Trade payables | 295,746 | 406,746 | (111,000) | 3,017,816 |
| Accrued income taxes | 15,958 | 69,961 | (54,003) | 162,837 |
| Accrued expenses | 274,011 | 277,117 | (3,106) | 2,796,031 |
| Other current liabilities | 151,211 | 184,636 | (33,425) | 1,542,969 |
| Total current liabilities | 742,410 | 944,000 | (201,590) | 7,575,612 |
| Long-term debt, excluding current installments | 7,433 | 8,423 | (990) | 75,847 |
| Accrued pension and severance cost | 110,772 | 110,784 | (12) | 1,130,327 |
| Other noncurrent liabilities | 57,402 | 55,745 | 1,657 | 585,734 |
| Total liabilities | 918,017 | 1,118,952 | (200,935) | 9,367,520 |
| Equity: | | | | |

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| | | | | |
|---|--------------------|-------------|-------------|----------------------|
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 1,783,286 |
| Additional paid-in capital | 403,182 | 403,790 | (608) | 4,114,102 |
| Legal reserve | 54,063 | 53,706 | 357 | 551,663 |
| Retained earnings | 2,826,061 | 2,876,576 | (50,515) | 28,837,357 |
| Accumulated other comprehensive income (loss) | (254,810) | (292,820) | 38,010 | (2,600,102) |
| Treasury stock, at cost | (556,226) | (556,222) | (4) | (5,675,775) |
| Total Canon Inc. stockholders' equity | 2,647,032 | 2,659,792 | (12,760) | 27,010,531 |
| Noncontrolling interests | 186,068 | 191,190 | (5,122) | 1,898,653 |
| Total equity | 2,833,100 | 2,850,982 | (17,882) | 28,909,184 |
| Total liabilities and equity | ¥ 3,751,117 | ¥ 3,969,934 | ¥ (218,817) | \$ 38,276,704 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|------------------|--------------|---------------------------|
| | As of | As of | As of |
| | March 31, | December 31, | March 31, |
| | 2009 | 2008 | 2009 |
| Notes: | | | |
| 1. Allowance for doubtful receivables | ¥ 10,596 | ¥ 9,318 | \$ 108,122 |
| 2. Accumulated depreciation | 1,702,036 | 1,635,601 | 17,367,714 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (192,298) | (235,968) | (1,962,225) |
| Net unrealized gains and losses on securities | 616 | 1,135 | 6,286 |
| Net gains and losses on derivative instruments | (3,268) | 1,493 | (33,347) |
| Pension liability adjustments | (59,860) | (59,480) | (610,816) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

| | Millions of yen | | | Thousands of U.S. dollars |
|---|--|--|-----------|--|
| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Change(%) | Three months ended March 31, 2009 |
| Net sales | ¥ 687,034 | ¥ 1,007,538 | - 31.8 | \$ 7,010,551 |
| Cost of sales | 388,220 | 507,673 | | 3,961,429 |
| Gross profit | 298,814 | 499,865 | - 40.2 | 3,049,122 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 205,993 | 249,480 | | 2,101,969 |
| Research and development expenses | 72,789 | 79,555 | | 742,745 |
| | 278,782 | 329,035 | | 2,844,714 |
| Operating profit | 20,032 | 170,830 | - 88.3 | 204,408 |
| Other income (deductions): | | | | |
| Interest and dividend income | 1,434 | 6,193 | | 14,633 |
| Interest expense | (84) | (412) | | (857) |
| Other, net | 1,012 | (9,969) | | 10,326 |
| | 2,362 | (4,188) | | 24,102 |
| Income before income taxes | 22,394 | 166,642 | - 86.6 | 228,510 |
| Income taxes | 6,759 | 56,034 | | 68,969 |
| Consolidated net income | 15,635 | 110,608 | - 85.9 | 159,541 |
| Less: Net income (loss) attributable to noncontrolling interests | (2,109) | 3,964 | | (21,520) |
| Net income attributable to Canon Inc. | ¥ 17,744 | ¥ 106,644 | - 83.4 | \$ 181,061 |

Note: Consolidated comprehensive income for the three months ended March 31, 2009 and 2008 was JPY53,873 million (increase) (U.S.\$549,724)

thousand
(increase)) and
JPY3,760 million
(increase),
respectively.

3. DETAILS OF SALES

Sales by product

| | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------------|--|--|-----------|--|
| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Change(%) | Three months ended March 31, 2009 |
| Business machines: | | | | |
| <i>Office imaging products</i> | ¥ 197,520 | ¥ 287,524 | - 31.3 | \$ 2,015,510 |
| <i>Computer peripherals</i> | 235,208 | 379,509 | - 38.0 | 2,400,082 |
| <i>Business information products</i> | 18,878 | 24,753 | - 23.7 | 192,632 |
| | 451,606 | 691,786 | - 34.7 | 4,608,224 |
| Cameras | 165,549 | 218,995 | - 24.4 | 1,689,276 |
| Optical and other products | 69,879 | 96,757 | - 27.8 | 713,051 |
| Total | ¥ 687,034 | ¥ 1,007,538 | - 31.8 | \$ 7,010,551 |

Sales by region

| | Millions of yen | | | Thousands of U.S. dollars |
|--------------------|--|--|-----------|--|
| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Change(%) | Three months ended March 31, 2009 |
| Japan | ¥ 169,504 | ¥ 227,781 | - 25.6 | \$ 1,729,633 |
| Overseas: | | | | |
| <i>Americas</i> | 176,331 | 270,664 | - 34.9 | 1,799,296 |
| <i>Europe</i> | 210,067 | 337,116 | - 37.7 | 2,143,541 |
| <i>Other areas</i> | 131,132 | 171,977 | - 23.8 | 1,338,081 |
| | 517,530 | 779,757 | - 33.6 | 5,280,918 |
| Total | ¥ 687,034 | ¥ 1,007,538 | - 31.8 | \$ 7,010,551 |

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

Business
machines:

Office imaging
products : Office
network digital
multifunction
devices (MFDs) /
Color network
digital MFDs /
Office copying
machines /
Personal-use
copying machines
/ Full-color
copying machines
Computer
peripherals
: Laser beam
printers / Inkjet
multifunction
peripherals /
Single function
inkjet printers /
Image scanners
Business
information
products
: Computer
information
systems /
Document
scanners /
Personal
information
products
Cameras
: Digital SLR
cameras /
Compact digital
cameras /
Interchangeable
lenses / Digital
video camcorders
Optical and other
products
: Semiconductor
production
equipment /
Mirror projection
mask aligners for

LCD panels /
Broadcasting
equipment /
Medical
equipment / Large
format printers /
Components

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, 2009 | Three months ended March 31, 2008 | Three months ended March 31, 2009 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 15,635 | ¥ 110,608 | \$ 159,541 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 75,523 | 82,201 | 770,643 |
| Loss on disposal of property, plant and equipment | 1,176 | 3,685 | 12,000 |
| Deferred income taxes | (6,312) | (7,591) | (64,408) |
| Decrease in trade receivables | 121,931 | 71,298 | 1,244,194 |
| (Increase) decrease in inventories | 18,290 | (24,585) | 186,633 |
| Increase (decrease) in trade payables | (129,424) | 4,732 | (1,320,653) |
| Decrease in accrued income taxes | (54,352) | (78,470) | (554,612) |
| Decrease in accrued expenses | (8,687) | (36,112) | (88,643) |
| Decrease in accrued (prepaid) pension and severance cost | (140) | (2,783) | (1,429) |
| Other, net | 18,806 | (15,494) | 191,897 |
| Net cash provided by operating activities | 52,446 | 107,489 | 535,163 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (105,084) | (136,165) | (1,072,286) |
| Proceeds from sale of fixed assets | 1,339 | 710 | 13,663 |
| Purchases of available-for-sale securities | (6) | (3,833) | (61) |
| Proceeds from sale and maturity of available-for-sale securities | 214 | 4,011 | 2,184 |
| (Increase) decrease in time deposits | 2,885 | (204) | 29,439 |
| Acquisitions of subsidiaries, net of cash acquired | (168) | (209) | (1,714) |
| Purchases of other investments | (54) | (44,111) | (551) |
| Other, net | (1,152) | (9,682) | (11,756) |
| Net cash used in investing activities | (102,026) | (189,483) | (1,041,082) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 593 | 3,400 | 6,051 |
| Repayments of long-term debt | (1,532) | (1,175) | (15,633) |
| Increase (decrease) in short-term loans | 96 | (2,632) | 980 |
| Dividends paid | (67,897) | (75,663) | (692,827) |
| Purchases of treasury stock, net | (9) | (3) | (92) |
| Other, net | (2,209) | (8,804) | (22,540) |
| Net cash used in financing activities | (70,958) | (84,877) | (724,061) |
| | 18,535 | (69,923) | 189,133 |

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Effect of exchange rate changes on cash and cash equivalents

| | | | | |
|--|------------------|---|-----------|---------------------|
| Net change in cash and cash equivalents | (102,003) | | (236,794) | (1,040,847) |
| Cash and cash equivalents at beginning of period | 679,196 | | 944,463 | 6,930,571 |
| Cash and cash equivalents at end of period | ¥ 577,193 | ¥ | 707,669 | \$ 5,889,724 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY PRODUCT

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------|--|--|-----------|--|
| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Change(%) | Three months ended March 31, 2009 |
| Business Machines | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 451,606 | ¥ 691,786 | - 34.7 | \$ 4,608,224 |
| Intersegment | - | - | - | - |
| Total | 451,606 | 691,786 | - 34.7 | 4,608,224 |
| Operating cost and expenses | 392,502 | 528,607 | - 25.7 | 4,005,122 |
| Operating profit | ¥ 59,104 | ¥ 163,179 | - 63.8 | \$ 603,102 |
| Cameras | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 165,549 | ¥ 218,995 | - 24.4 | \$ 1,689,276 |
| Intersegment | - | - | - | - |
| Total | 165,549 | 218,995 | - 24.4 | 1,689,276 |
| Operating cost and expenses | 157,719 | 173,269 | - 9.0 | 1,609,378 |
| Operating profit | ¥ 7,830 | ¥ 45,726 | - 82.9 | \$ 79,898 |
| Optical and other products | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 69,879 | ¥ 96,757 | - 27.8 | \$ 713,051 |
| Intersegment | 41,214 | 56,215 | - 26.7 | 420,551 |
| Total | 111,093 | 152,972 | - 27.4 | 1,133,602 |
| Operating cost and expenses | 122,442 | 147,642 | - 17.1 | 1,249,408 |
| Operating profit (loss) | ¥ (11,349) | ¥ 5,330 | - | \$ (115,806) |

Corporate and Eliminations

Net sales:

| | | | | |
|-----------------------------|------------|------------|---|--------------|
| Unaffiliated customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (41,214) | (56,215) | - | (420,551) |
| Total | (41,214) | (56,215) | - | (420,551) |
| Operating cost and expenses | (5,661) | (12,810) | - | (57,765) |
| Operating profit (loss) | ¥ (35,553) | ¥ (43,405) | - | \$ (362,786) |

Consolidated

Net sales:

| | | | | |
|-----------------------------|-----------|-------------|--------|--------------|
| Unaffiliated customers | ¥ 687,034 | ¥ 1,007,538 | - 31.8 | \$ 7,010,551 |
| Intersegment | - | - | - | - |
| Total | 687,034 | 1,007,538 | - 31.8 | 7,010,551 |
| Operating cost and expenses | 667,002 | 836,708 | - 20.3 | 6,806,143 |
| Operating profit | ¥ 20,032 | ¥ 170,830 | - 88.3 | \$ 204,408 |

Note: General corporate expenses of JPY35,553 million (U.S.\$362,786 thousand) and JPY43,295 million in the three months ended March 31, 2009 and 2008, respectively, are included in Corporate and Eliminations.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------|--|--|-----------|--|
| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Change(%) | Three months ended March 31, 2009 |
| Japan | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 213,695 | ¥ 249,294 | - 14.3 | \$ 2,180,561 |
| Intersegment | 304,291 | 586,930 | - 48.2 | 3,105,010 |
| Total | 517,986 | 836,224 | - 38.1 | 5,285,571 |
| Operating cost and expenses | 483,938 | 658,811 | - 26.5 | 4,938,142 |
| Operating profit | ¥ 34,048 | ¥ 177,413 | - 80.8 | \$ 347,429 |
| Americas | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 171,141 | ¥ 269,509 | - 36.5 | \$ 1,746,337 |
| Intersegment | 778 | 338 | + 130.2 | 7,939 |
| Total | 171,919 | 269,847 | - 36.3 | 1,754,276 |
| Operating cost and expenses | 172,058 | 264,977 | - 35.1 | 1,755,694 |
| Operating profit (loss) | ¥ (139) | ¥ 4,870 | - | \$ (1,418) |
| Europe | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 208,862 | ¥ 336,505 | - 37.9 | \$ 2,131,245 |
| Intersegment | 435 | 833 | - 47.8 | 4,439 |
| Total | 209,297 | 337,338 | - 38.0 | 2,135,684 |
| Operating cost and expenses | 200,986 | 324,670 | - 38.1 | 2,050,878 |
| Operating profit | ¥ 8,311 | ¥ 12,668 | - 34.4 | \$ 84,806 |
| Others | | | | |
| Net sales: | | | | |

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| | | | | |
|-----------------------------------|------------|-------------|--------|--------------|
| Unaffiliated customers | ¥ 93,336 | ¥ 152,230 | - 38.7 | \$ 952,408 |
| Intersegment | 90,352 | 164,433 | - 45.1 | 921,959 |
| Total | 183,688 | 316,663 | - 42.0 | 1,874,367 |
| Operating cost and expenses | 179,598 | 299,151 | - 40.0 | 1,832,633 |
| Operating profit | ¥ 4,090 | ¥ 17,512 | - 76.6 | \$ 41,734 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (395,856) | (752,534) | - | (4,039,347) |
| Total | (395,856) | (752,534) | - | (4,039,347) |
| Operating cost and expenses | (369,578) | (710,901) | - | (3,771,204) |
| Operating profit (loss) | ¥ (26,278) | ¥ (41,633) | - | \$ (268,143) |
| Consolidated | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 687,034 | ¥ 1,007,538 | - 31.8 | \$ 7,010,551 |
| Intersegment | - | - | - | - |
| Total | 687,034 | 1,007,538 | - 31.8 | 7,010,551 |
| Operating cost and expenses | 667,002 | 836,708 | - 20.3 | 6,806,143 |
| Operating profit | ¥ 20,032 | ¥ 170,830 | - 88.3 | \$ 204,408 |

Note: General corporate expenses of JPY35,553 million (U.S.\$362,786 thousand) and JPY43,295 million in the three months ended March 31, 2009 and 2008, respectively, are included in Corporate and Eliminations.

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, 2009 | December 31, 2008 | Change |
|--------------|-------------------|-------------------|--------|
| Subsidiaries | 242 | 245 | (3) |
| Affiliates | 18 | 18 | - |
| Total | 260 | 263 | (3) |

2. Change in Group Entities

Subsidiaries

Addition: 3 companies

Removal: 6 companies

Affiliates (Carried at Equity Basis)

Addition: 1 company

Removal: 1 company

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, Asia Pacific System Research Co., Ltd.

Osaka Securities Exchange (Hercules): e-System Corporation

(2) SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements reflect the adjustments which management believes are necessary to conform them with U.S. generally accepted accounting principles, except for the segment information, as required by Statement of Financial Accounting Standards No.131, Disclosures about Segments of an Enterprise and Related Information.

New Accounting Standard

Canon adopted SFAS 160 Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No.51 in the first quarter beginning January 1, 2009. Upon the adoption of SFAS 160, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and stockholders' equity on the consolidated balance sheets, are now included as a separate component of total equity. In addition, consolidated net income on the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interests. These financial statement presentation requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements including the consolidated statements of cash flows have been reclassified or adjusted to conform to SFAS 160.

Canon Inc.
April 30, 2009

CONSOLIDATED FINANCIAL RESULTS FOR
THE FIRST QUARTER ENDED MARCH 31, 2009
SUPPLEMENTARY REPORT
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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Canon Inc.

1. SALES BY REGION AND PRODUCT

(Millions of yen)

| | 2009 | | 2008 | | Change year over year | |
|-------------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
| | 1st quarter | Year (P) | 1st quarter | Year | 1st quarter | Year |
| Japan | | | | | | |
| Business machines | 122,660 | - | 155,500 | 607,015 | -21.1% | - |
| Office imaging products | 74,631 | - | 98,403 | 370,901 | -24.2% | - |
| Computer peripherals | 35,622 | - | 41,410 | 184,945 | -14.0% | - |
| Business information products | 12,407 | - | 15,687 | 51,169 | -20.9% | - |
| Cameras | 23,341 | - | 33,348 | 136,791 | -30.0% | - |
| Optical and other products | 23,503 | - | 38,933 | 124,474 | -39.6% | - |
| Total | 169,504 | 769,400 | 227,781 | 868,280 | -25.6% | -11.4% |
| Overseas | | | | | | |
| Business machines | 328,946 | - | 536,286 | 2,053,004 | -38.7% | - |
| Office imaging products | 122,889 | - | 189,121 | 748,622 | -35.0% | - |
| Computer peripherals | 199,586 | - | 338,099 | 1,269,823 | -41.0% | - |
| Business information products | 6,471 | - | 9,066 | 34,559 | -28.6% | - |
| Cameras | 142,208 | - | 185,647 | 905,156 | -23.4% | - |
| Optical and other products | 46,376 | - | 57,824 | 267,721 | -19.8% | - |
| Total | 517,530 | 2,560,600 | 779,757 | 3,225,881 | -33.6% | -20.6% |
| Americas | | | | | | |
| Business machines | 119,479 | - | 193,781 | 759,864 | -38.3% | - |
| Office imaging products | 43,991 | - | 70,879 | 287,319 | -37.9% | - |
| Computer peripherals | 72,738 | - | 118,685 | 457,816 | -38.7% | - |
| Business information products | 2,750 | - | 4,217 | 14,729 | -34.8% | - |
| Cameras | 45,325 | - | 64,266 | 339,141 | -29.5% | - |
| Optical and other products | 11,527 | - | 12,617 | 55,566 | -8.6% | - |
| Total | 176,331 | 938,100 | 270,664 | 1,154,571 | -34.9% | -18.7% |
| Europe | | | | | | |

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| | | | | | | |
|-------------------------------|---------|-----------|-----------|-----------|--------|--------|
| Business machines | 154,755 | - | 257,765 | 964,782 | -40.0% | - |
| Office imaging products | 61,580 | - | 94,415 | 364,288 | -34.8% | - |
| Computer peripherals | 90,025 | - | 159,236 | 584,247 | -43.5% | - |
| Business information products | 3,150 | - | 4,114 | 16,247 | -23.4% | - |
| Cameras | 48,034 | - | 69,091 | 333,069 | -30.5% | - |
| Optical and other products | 7,278 | - | 10,260 | 43,549 | -29.1% | - |
| Total | 210,067 | 1,022,100 | 337,116 | 1,341,400 | -37.7% | -23.8% |
| Other areas | | | | | | |
| Business machines | 54,712 | - | 84,740 | 328,358 | -35.4% | - |
| Office imaging products | 17,318 | - | 23,827 | 97,015 | -27.3% | - |
| Computer peripherals | 36,823 | - | 60,178 | 227,760 | -38.8% | - |
| Business information products | 571 | - | 735 | 3,583 | -22.3% | - |
| Cameras | 48,849 | - | 52,290 | 232,946 | -6.6% | - |
| Optical and other products | 27,571 | - | 34,947 | 168,606 | -21.1% | - |
| Total | 131,132 | 600,400 | 171,977 | 729,910 | -23.8% | -17.7% |
| Total | | | | | | |
| Business machines | 451,606 | 2,151,900 | 691,786 | 2,660,019 | -34.7% | -19.1% |
| Office imaging products | 197,520 | 911,400 | 287,524 | 1,119,523 | -31.3% | -18.6% |
| Computer peripherals | 235,208 | 1,162,400 | 379,509 | 1,454,768 | -38.0% | -20.1% |
| Business information products | 18,878 | 78,100 | 24,753 | 85,728 | -23.7% | -8.9% |
| Cameras | 165,549 | 903,600 | 218,995 | 1,041,947 | -24.4% | -13.3% |
| Optical and other products | 69,879 | 274,500 | 96,757 | 392,195 | -27.8% | -30.0% |
| Total | 687,034 | 3,330,000 | 1,007,538 | 4,094,161 | -31.8% | -18.7% |

(P)=Projection

-S1-

Canon Inc.

2. SEGMENT INFORMATION BY PRODUCT

(Millions of yen)

| | 2009 | | 2008 | | Change year over year | |
|-----------------------------------|-------------|-----------|-------------|-----------|-----------------------|--------|
| | 1st quarter | Year (P) | 1st quarter | Year | 1st quarter | Year |
| Business machines | | | | | | |
| Unaffiliated customers | 451,606 | 2,151,900 | 691,786 | 2,660,019 | -34.7% | -19.1% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 451,606 | 2,151,900 | 691,786 | 2,660,019 | -34.7% | -19.1% |
| Operating profit | 59,104 | 293,600 | 163,179 | 544,644 | -63.8% | -46.1% |
| % of sales | 13.1% | 13.6% | 23.6% | 20.5% | - | - |
| Cameras | | | | | | |
| Unaffiliated customers | 165,549 | 903,600 | 218,995 | 1,041,947 | -24.4% | -13.3% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 165,549 | 903,600 | 218,995 | 1,041,947 | -24.4% | -13.3% |
| Operating profit | 7,830 | 78,800 | 45,726 | 187,787 | -82.9% | -58.0% |
| % of sales | 4.7% | 8.7% | 20.9% | 18.0% | - | - |
| Optical and other products | | | | | | |
| Unaffiliated customers | 69,879 | 274,500 | 96,757 | 392,195 | -27.8% | -30.0% |
| Intersegment | 41,214 | 187,200 | 56,215 | 235,690 | -26.7% | -20.6% |
| Total sales | 111,093 | 461,700 | 152,972 | 627,885 | -27.4% | -26.5% |
| Operating profit | (11,349) | (27,400) | 5,330 | (45,490) | - | - |
| % of sales | -10.2% | -5.9% | 3.5% | -7.2% | - | - |
| Corporate and Eliminations | | | | | | |
| Unaffiliated customers | - | - | - | - | - | - |
| Intersegment | (41,214) | (187,200) | (56,215) | (235,690) | - | - |
| Total sales | (41,214) | (187,200) | (56,215) | (235,690) | - | - |
| Operating profit | (35,553) | (165,000) | (43,405) | (190,867) | - | - |

Consolidated

| | | | | | | |
|------------------------|---------|-----------|-----------|-----------|--------|--------|
| Unaffiliated customers | 687,034 | 3,330,000 | 1,007,538 | 4,094,161 | -31.8% | -18.7% |
| Intersegment | - | - | - | - | - | - |
| Total sales | 687,034 | 3,330,000 | 1,007,538 | 4,094,161 | -31.8% | -18.7% |
| Operating profit | 20,032 | 180,000 | 170,830 | 496,074 | -88.3% | -63.7% |
| % of sales | 2.9% | 5.4% | 17.0% | 12.1% | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

(Millions of yen)

| | 2009 | | 2008 | | Change year over year | |
|--|-------------|----------|-------------|----------|-----------------------|----------|
| | 1st quarter | Year (P) | 1st quarter | Year | 1st quarter | Year |
| Interest and dividend, net | 1,350 | 2,200 | 5,781 | 18,605 | (4,431) | (16,405) |
| Forex gain / loss | 3,755 | 3,800 | (10,576) | (11,212) | +14,331 | +15,012 |
| Equity earnings / loss of affiliated companies | (5,306) | (9,900) | 164 | (20,047) | (5,470) | +10,147 |
| Other, net | 2,563 | 3,900 | 443 | (2,273) | +2,120 | +6,173 |
| Total | 2,362 | 0 | (4,188) | (14,927) | +6,550 | +14,927 |

(P)=Projection

-S2-

4. SALES COMPOSITION BY PRODUCT

| | 2009 | | 2008 | |
|---------------------------------------|----------------|-------------|----------------|------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Office imaging products | | | | |
| Monochrome copying machines | 40% | 40% | 42% | 41% |
| Color copying machines | 36% | 36% | 36% | 37% |
| Others | 24% | 24% | 22% | 22% |
| Computer peripherals | | | | |
| Laser beam printers | 71% | 68% | 75% | 73% |
| Inkjet printers | 28% | 31% | 24% | 26% |
| Others | 1% | 1% | 1% | 1% |
| Business information products | | | | |
| Personal computers | 65% | 63% | 63% | 60% |
| Others | 35% | 37% | 37% | 40% |
| Cameras | | | | |
| Digital cameras | 78% | 78% | 75% | 75% |
| Video cameras | 7% | 9% | 7% | 9% |
| Interchangeable lenses and others | 15% | 13% | 18% | 16% |
| Optical and other products | | | | |
| Semiconductor production equipment | 34% | 29% | 46% | 46% |
| Others | 66% | 71% | 54% | 54% |

(P)=Projection

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

| | 2009 | |
|--------------------------|----------------|-------------|
| | 1st quarter | Year (P) |
| Business machines | | |
| Japan | -21.1% | - |
| Overseas | -27.9% | - |
| Total | -26.4% | -11.5% |
| Cameras | | |
| Japan | -30.0% | - |
| Overseas | -9.3% | - |

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| | | |
|-----------------------------------|--------|--------|
| Total | -12.5% | -3.3% |
| Optical and other products | | |
| Japan | -39.6% | - |
| Overseas | -13.1% | - |
| Total | -23.8% | -26.2% |
| Total | | |
| Japan | -25.6% | -11.4% |
| Overseas | -22.4% | -10.7% |
| Americas | -27.6% | -12.1% |
| Europe | -22.2% | -10.3% |
| Other areas | -14.7% | -9.1% |
| Total | -23.1% | -10.8% |

(P)=Projection

-S3-

Canon Inc.

6. PROFITABILITY

| | 2009 | | 2008 | |
|--------|-------------|----------|-------------|-------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| ROE *1 | 2.7% | 4.2% | 14.8% | 11.1% |
| ROA *2 | 1.8% | 2.8% | 9.8% | 7.3% |

*1 Based on Net Income attributable to Canon Inc and Total Canon Inc. stockholders equity

(P)=Projection

*2 Based on Net Income attributable to Canon Inc.

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

(Yen)

| | 2009 | | | 2008 | |
|----------|-------------|---------------------|----------|-------------|--------|
| | 1st quarter | 2nd-4th quarter (P) | Year (P) | 1st quarter | Year |
| Yen/US\$ | 93.86 | 95.00 | 94.78 | 104.78 | 103.23 |
| Yen/Euro | 121.85 | 125.00 | 124.31 | 157.59 | 151.46 |

(P)=Projection

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

(Billions of yen)

| | 2009 | |
|------------------|-------------|----------|
| | 1st quarter | Year (P) |
| US\$ | (27.4) | (109.5) |
| Euro | (43.9) | (156.0) |
| Other currencies | (7.1) | (33.7) |
| Total | (78.4) | (299.2) |

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

2009
2nd-4th
quarter (P)

On sales

US\$ 11.6

Euro 4.8

On operating profit

US\$ 6.8

Euro 3.4

(P)=Projection

8. STATEMENTS OF CASH FLOWS

(Millions of yen)

| | 2009 | | 2008 | |
|--|-------------|-----------|-------------|-----------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Net cash provided by operating activities | 52,446 | 425,000 | 107,489 | 616,684 |
| Net cash used in investing activities | (102,026) | (325,000) | (189,483) | (472,480) |
| Free cash flow | (49,580) | 100,000 | (81,994) | 144,204 |
| Net cash used in financing activities | (70,958) | (144,000) | (84,877) | (277,565) |
| Effect of exchange rate changes on cash and cash equivalents | 18,535 | (5,200) | (69,923) | (131,906) |
| Net change in cash and cash equivalents | (102,003) | (49,200) | (236,794) | (265,267) |
| Cash and cash equivalents at end of period | 577,193 | 630,000 | 707,669 | 679,196 |

(P)=Projection

* In connection with the adoption of SFAS No. 160, only the total of net cash provided by

operating activities
will be provided
from this quarter.

-S4-

Canon Inc.

9. R&D EXPENDITURE

(Millions of yen)

| | 2009 | | 2008 | |
|----------------------------|----------------|----------|----------------|---------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Business machines | 23,208 | - | 25,884 | 123,531 |
| Cameras | 11,458 | - | 11,904 | 45,458 |
| Optical and other products | 38,123 | - | 41,767 | 205,036 |
| Total | 72,789 | 320,000 | 79,555 | 374,025 |
| % of sales | 10.6% | 9.6% | 7.9% | 9.1% |

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2009 | | 2008 | |
|-------------------------------|----------------|----------|----------------|---------|
| | 1st quarter | Year (P) | 1st quarter | Year |
| Increase in PP&E | 61,917 | 290,000 | 89,435 | 361,988 |
| Depreciation and amortization | 75,523 | 330,000 | 82,201 | 341,337 |

(P)=Projection

11. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2009 | 2008 | Difference |
|----------------------------|---------|---------|------------|
| | Mar.31 | Dec.31 | |
| Business machines | 245,404 | 234,958 | +10,446 |
| Cameras | 100,478 | 115,852 | (15,374) |
| Optical and other products | 154,081 | 156,109 | (2,028) |
| Total | 499,963 | 506,919 | (6,956) |

(2) Inventories/Sales*

(Days)

| | 2009 | 2008 | Difference |
|--|--------|--------|------------|
| | Mar.31 | Dec.31 | |

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| | | | |
|----------------------------|-----|-----|-----|
| Business machines | 42 | 34 | +8 |
| Cameras | 43 | 41 | +2 |
| Optical and other products | 155 | 144 | +11 |
| Total | 54 | 47 | +7 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | 2009 Mar.31 | 2008 Dec.31 | Difference |
|---------------------------|----------------|----------------|------------|
| Total debt / Total assets | 0.3% | 0.4% | -0.1% |

13. OVERSEAS PRODUCTION RATIO

| | 2009 1st quarter | 2008 Year |
|---------------------------|------------------------|--------------|
| Overseas production ratio | 36% | 39% |

14. NUMBER OF EMPLOYEES

| | 2009 Mar.31 | 2008 Dec.31 | Difference |
|----------|----------------|----------------|------------|
| Japan | 72,385 | 72,445 | (60) |
| Overseas | 85,634 | 94,535 | (8,901) |
| Total | 158,019 | 166,980 | (8,961) |

-S5-