



Canon Inc.

Third Quarter 2010 Results

October 27, 2010

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Agenda

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3Q 2010 in Summary

External Environment

- ✓ Continued gradual recovery of global economy
- ✓ Our markets remain healthy, but more challenging exchange rate environment

Results

- ✓ Absorbed further yen's appreciation and realized near 20% net sales growth
 - ✓ Product lineup enhancement and sales expansion
- ✓ Achieved gross profit ratio (48.9%) in line with first-half 2010
 - ✓ Accelerated cost reduction and productivity improvement through increased volumes
- ✓ Advanced management quality improvement activities
 - ✓ Achieved third consecutive quarter of double-digit operating profit ratio

Summary of Results

2010 3Q & YTD Actual

(Billions of yen) (For reference)

		2010		2009		Pct. Change
		Actual	% Sales	Actual	% Sales	Actual
3Q	Net sales	913.2		774.3		+17.9%
	Gross profit	446.9	48.9%	349.3	45.1%	+27.9%
	Op. profit	104.4	11.4%	60.0	7.7%	+74.1%
	Net income attributable to Canon Inc.	68.2	7.5%	36.7	4.7%	+85.6%
	Yen-1USD Yen-1EURO	85.79 110.61		93.46 133.60		

2010

(excluding effects of new consolidation)

Actual % Sales

(Growth rate)

838.8 (+8.3%)

401.0 47.8%

108.3 12.9%

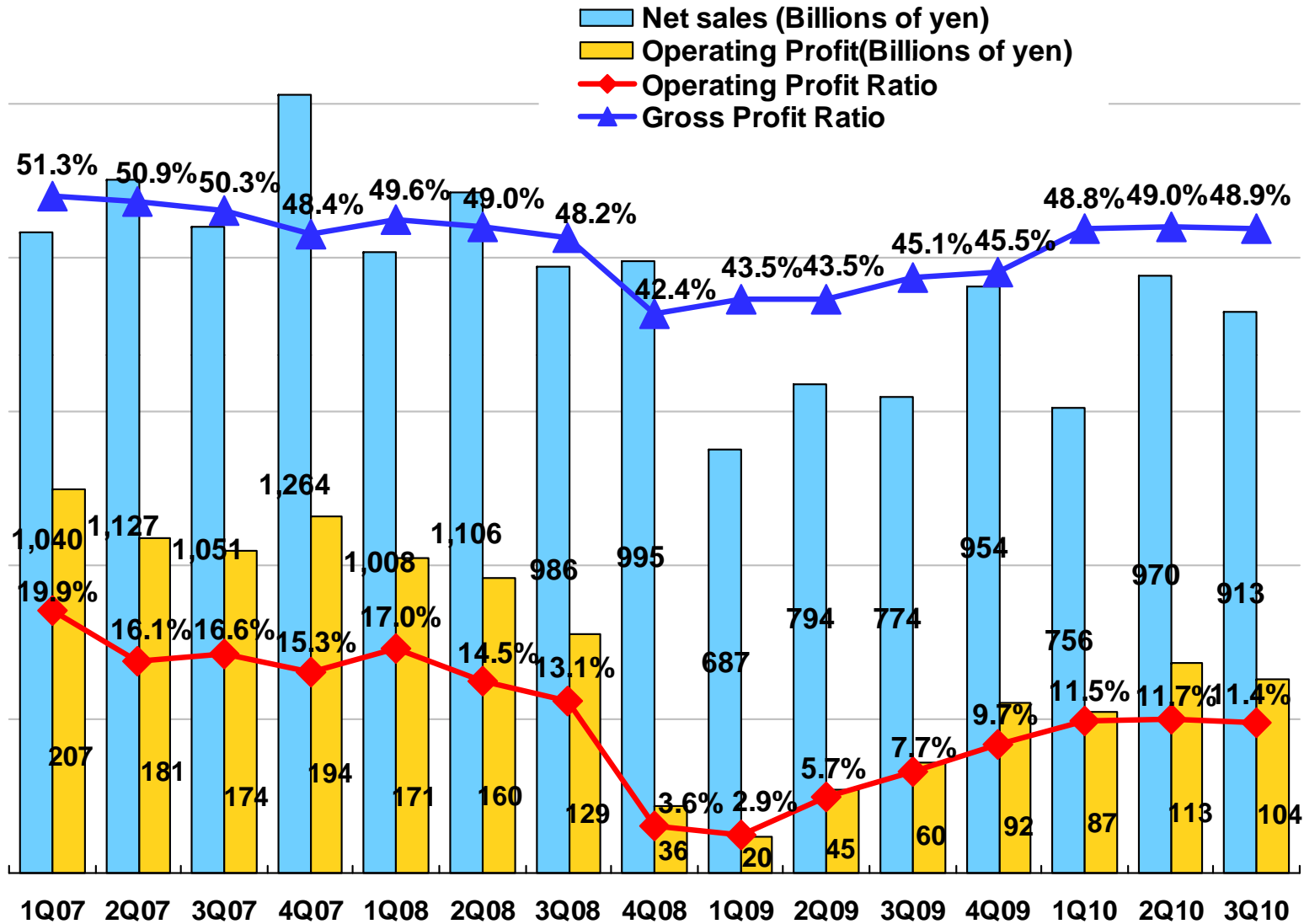
YTD	Net sales	2,639.0		2,255.1		+17.0%
	Gross profit	1,290.8	48.9%	993.6	44.1%	+29.9%
	Op. profit	304.7	11.5%	124.9	5.5%	+143.9%
	Net income attributable to Canon Inc.	192.6	7.3%	70.1	3.1%	+174.9%
	Yen-1USD Yen-1EURO	89.40 116.30		94.89 129.55		

2,492.4 (+10.5%)

1,197.5 48.0%

312.9 12.6%

Performance Trends



	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
USD	119.33	120.75	117.67	113.19	104.78	104.61	107.61	96.22	93.86	97.19	93.46	89.68	90.63	91.96	85.79
EURO	156.45	162.80	161.82	163.86	157.59	163.55	161.29	126.46	121.85	132.90	133.60	132.54	125.07	116.34	110.61

Transition in Sales and Op. Profit

3Q 2010 Actual v. 3Q 2009 Actual

(Billions of yen)

	Sales	Op. Profit
3Q 2009 Actual	774.3	60.0
Foreign exchange impact [net sales, cost of sales, expenses]	-69.6	-45.0
Sales volume impact		
Office	+61.3	
Consumer	+52.9	
Industry and Others	+28.8	
Total	+143.0	+71.9
Effects of new consolidation	+74.4	-3.9
Others	-8.9	+21.4
Total Change	+138.9	+44.4
3Q 2010 Actual	913.2	104.4

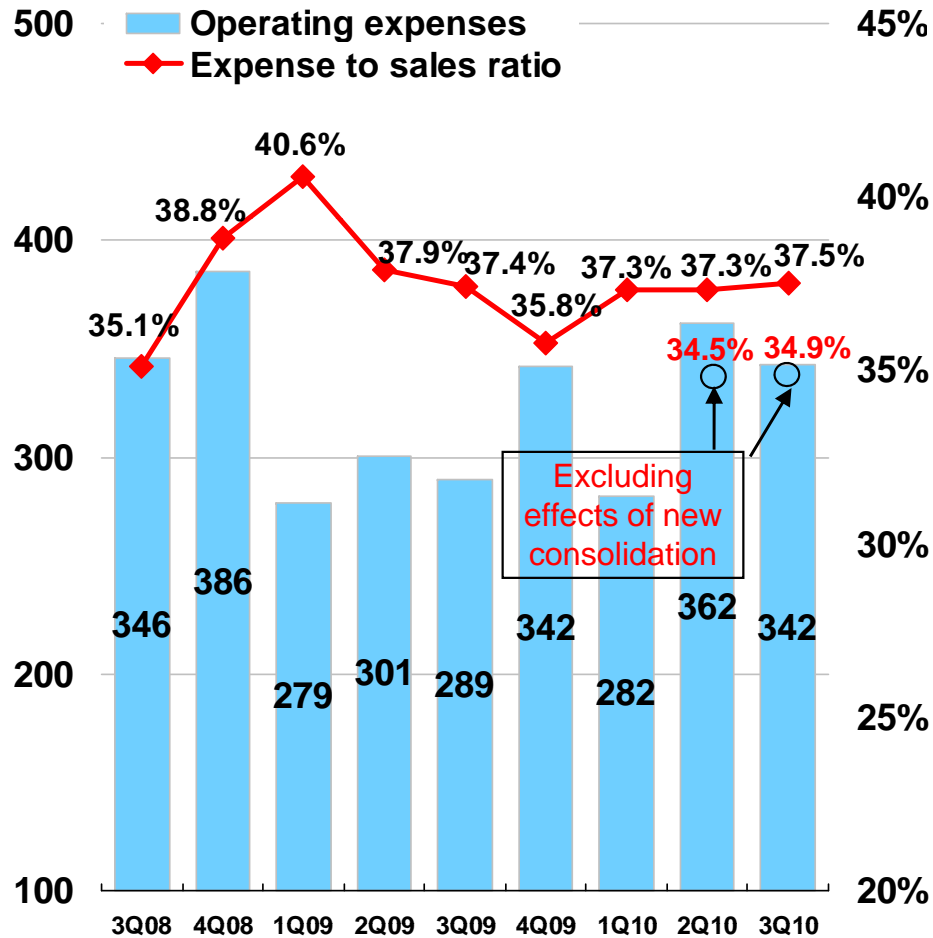
Change in Exchange Rate

- 1USD: 93.46 to 85.79 yen
- 1EURO: 133.60 to 110.61 yen

Expense & Inventory Situation

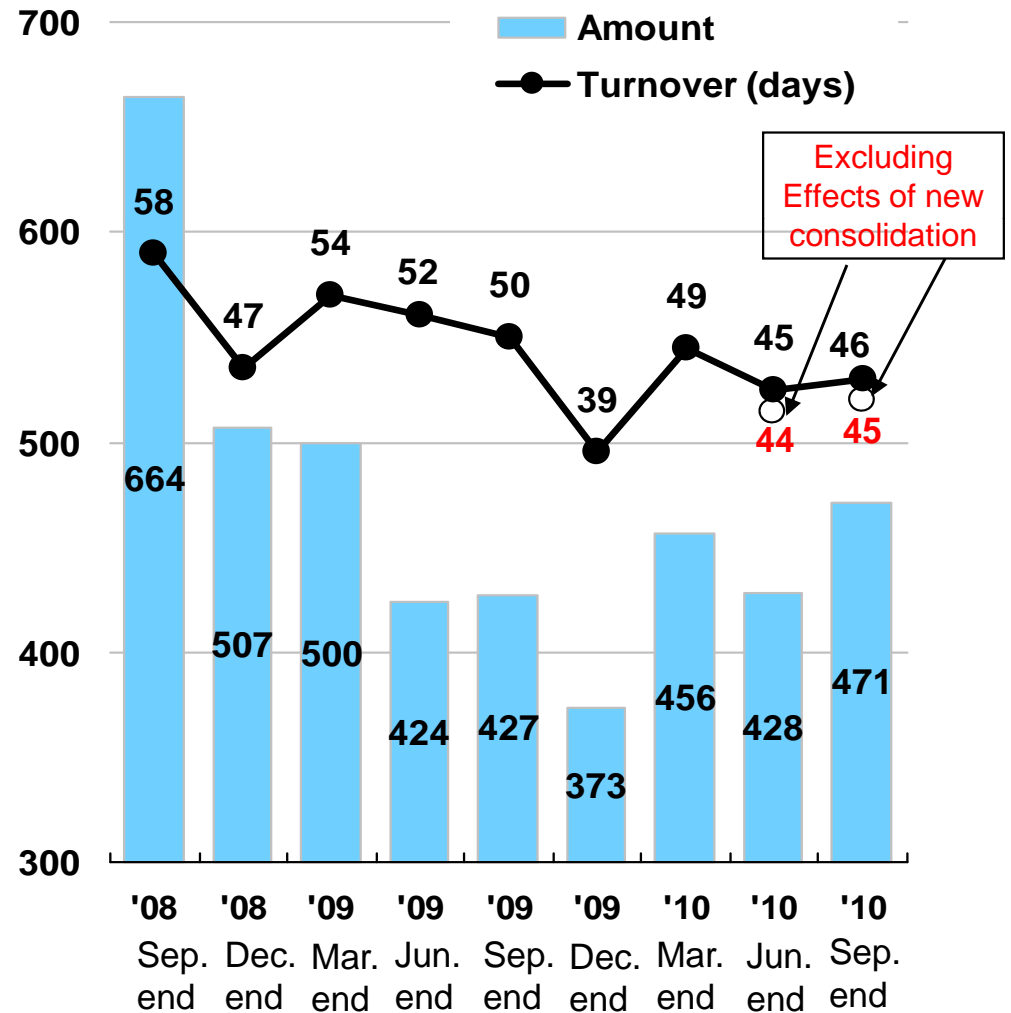
Expenses

(Billions of yen)



Inventory

(Billions of yen)



Assumptions

2010 Current Projection

Average Exchange Rate	4Q10	FY10	FY09
■ Yen-1USD	80.00 yen	86.69 yen	93.21 yen
■ Yen-1EURO	115.00 yen	116.32 yen	130.46 yen

Impact of Exchange Rate Movement (4Q impact given a one yen change)

	Net sales	Operating profit
■ USD	5.4 billion yen	2.7 billion yen
■ EURO	2.5 billion yen	1.5 billion yen

Key Points FY 2010

Assumptions

- ✓ Global economy still on track of gradual recovery, but uncertainty towards year-end remains
- ✓ Challenging exchange rate environment due to continued U.S. dollar weakness

Projections

- ✓ Overcome foreign exchange impact and achieve increased net sales and profit in all businesses
 - ✓ Further product lineup enhancement
- ✓ Achieve 390 billion yen in operating profit and double-digit operating profit ratio.
 - ✓ Further cost reductions and expense efficiencies

GDP Growth Rates by Major Regions

(Oct. '10 IMF release)

(Reference)

	FY 2007	FY 2008	FY 2009	FY 2010				FY 2011
	Actual	Actual	Actual	Previous projection (Jul. '10)	Previous projection (Jul. '10)	Current projection (Oct. '10)	Current projection (Oct. '10)	Current projection (Oct. '10)
				FY	4Q	FY	4Q	
Japan	+2.4%	-1.2%	-5.2%	+2.4%	+1.1%	+2.8%	+1.9%	+1.5%
U.S.A	+1.9%	+0.0%	-2.6%	+3.3%	+3.2%	+2.6%	+2.2%	+2.3%
Euro Area	+2.9%	+0.5%	-4.1%	+1.0%	+1.1%	+1.7%	+1.9%	+1.5%
China	+14.2%	+9.6%	+9.1%	+10.5%	+9.8%	+10.5%	+9.9%	+9.6%
India	+9.9%	+6.4%	+5.7%	+9.4%	+10.3%	+9.7%	+10.3%	+8.4%
Russia	+8.5%	+5.2%	-7.9%	+4.3%	+3.7%	+4.0%	+3.2%	+4.3%
Brazil	+6.1%	+5.1%	-0.2%	+7.1%	+5.3%	+7.5%	+5.6%	+4.1%
World Total	+5.3%	+2.8%	-0.6%	+4.6%	+4.2%	+4.8%	+4.3%	+4.2%

Key Points FY 2010

Assumptions

- ✓ Global economy still on track of gradual recovery, but uncertainty towards year-end remains
- ✓ Challenging exchange rate environment due to continued U.S. dollar weakness

Projections

- ✓ Overcome foreign exchange impact and achieve increased net sales and profit in all businesses
 - ✓ Further product lineup enhancement
- ✓ Achieve 390 billion yen in operating profit and double-digit operating profit ratio.
 - ✓ Further cost reductions and expense efficiencies

Summary of Projected Results

FY 2010 Current Projection

(Billions of yen) (For reference)

	FY 2010	FY 2010	FY 2009	Pct. Change		FY 2010 Current projection (excluding effects of new consolidation) (Growth rate)
	Current projection	Previous projection	Actual	Previous Projection	Actual	
Net sales	3,710.0	3,750.0	3,209.2	-1.1%	+15.6%	3,460.0 (+7.8%)
Gross profit	1,785.0	1,775.0	1,427.4	+0.6%	+25.1%	1,632.0
[% sales]	48.1%	47.3%	44.5%			47.2%
Op. profit	390.0	360.0	217.1	+8.3%	+79.7%	403.0
[% sales]	10.5%	9.6%	6.8%			11.6%
Net income attributable to Canon Inc.	245.0	240.0	131.6	+2.1%	+86.1%	
[% sales]	6.6%	6.4%	4.1%			
Foreign exchange rate						
Yen – 1USD	86.69	90.63	93.21			
Yen – 1EURO	116.32	114.74	130.46			

Transition in Sales and Op. Profit

FY 2010 Current Projection v. FY 2010 Previous Projection

(Billions of yen)

	FY 2010	
	Sales	Op. Profit
Previous Projection (Jul. 27, 2010)	3,750.0	360.0
Foreign exchange impact [net sales, cost of sales, expenses]	-55.6	-29.5
Sales volume impact		
Office	+0.3	
Consumer	+14.7	
Industry and Others	+0.6	
Total	+15.6	+7.6
Effects of new consolidation	0.0	+2.0
Others	0.0	+49.9
Total Change	-40.0	+30.0
Current Projection (Oct. 27, 2010)	3,710.0	390.0

Change in Exchange Rate

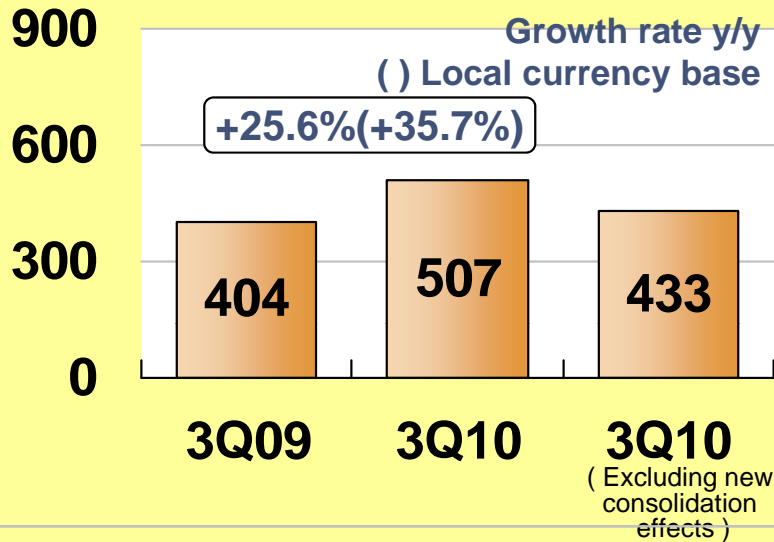
- 1USD: 90.63 to 86.69 yen
- 1EURO: 114.74 to 116.32 yen

Office

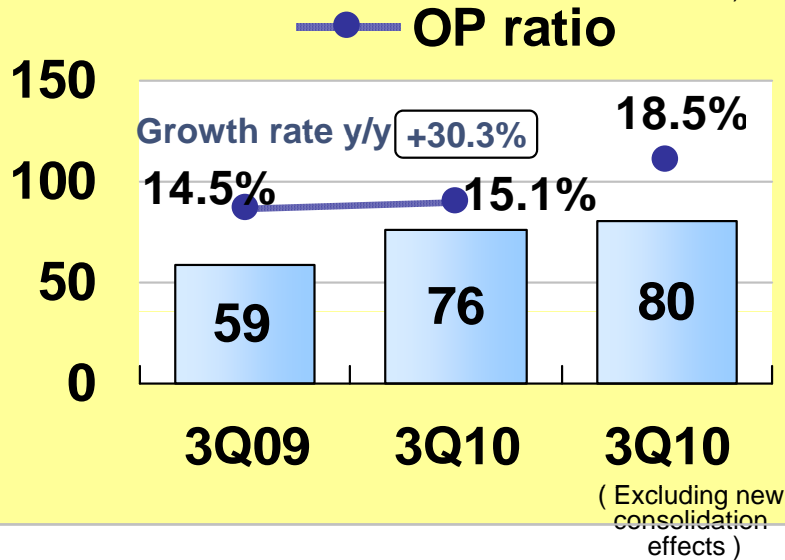
3Q 2010 Actual / FY 2010 Projection

(Billions of yen) **3Q**

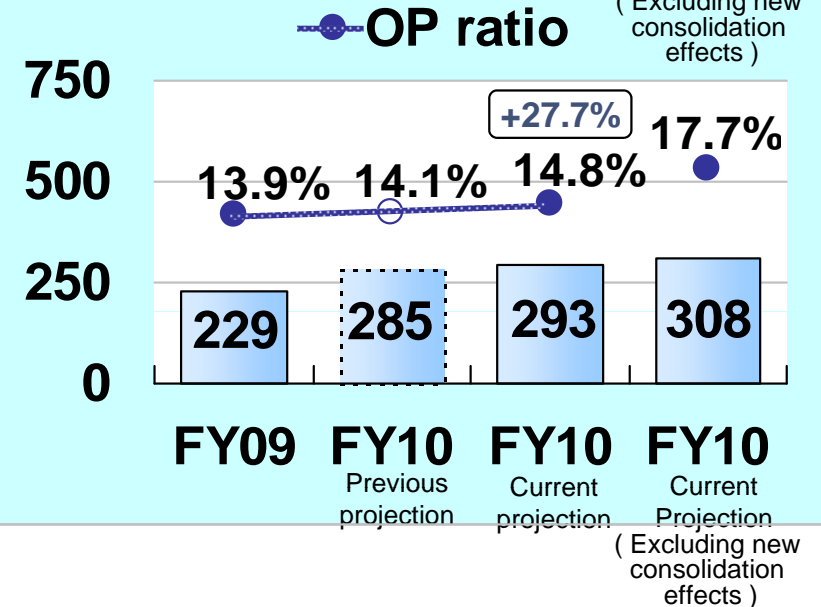
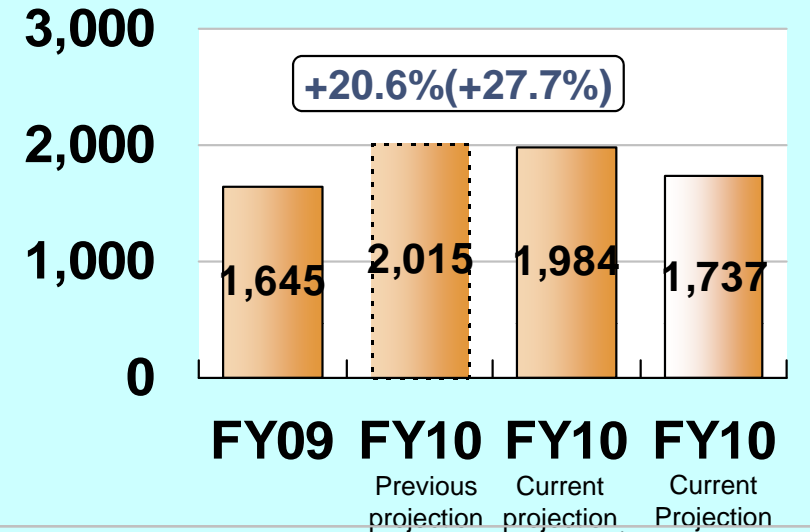
Sales



Op. Profit



(Billions of yen) **FY**

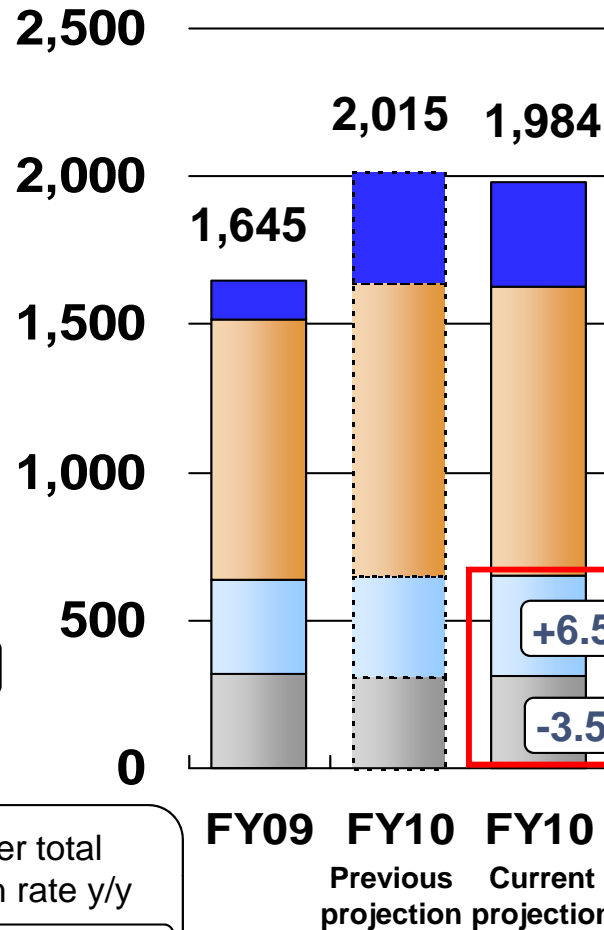
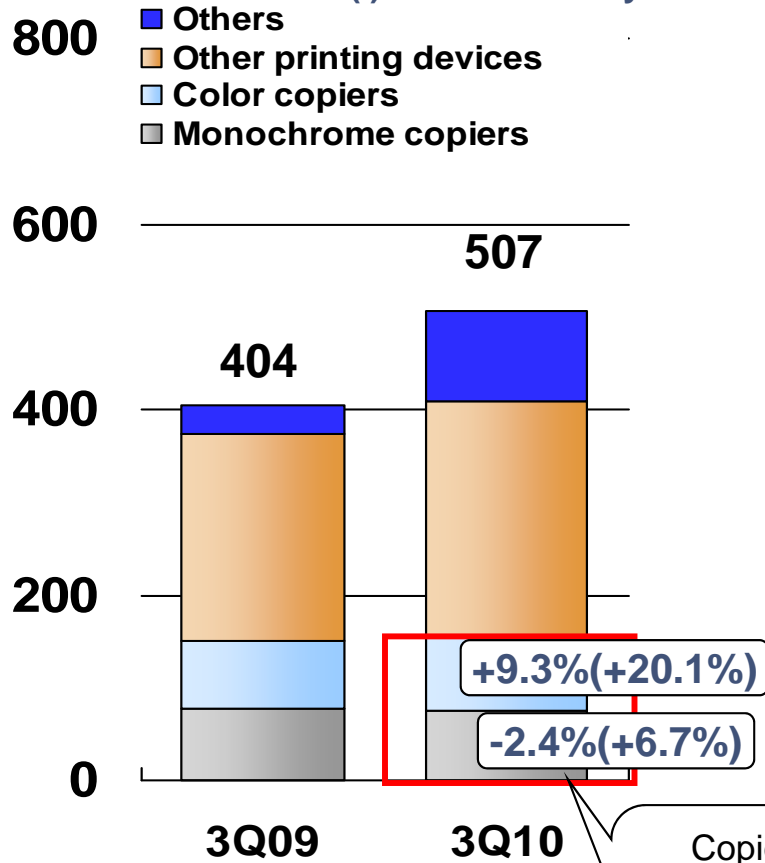


Office (Copiers)

3Q 2010 Actual / FY 2010 Projection

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Growth rate y/y (Unit base)		
Copiers	3Q	FY
Color	+38%	+31%
Mono-chrome	+24%	+13%
Total	+28%	+18%

Color ratio (Copiers)

	3Q	FY
Value base*	52%	52%
Unit base	29%	30%

*Includes consumables

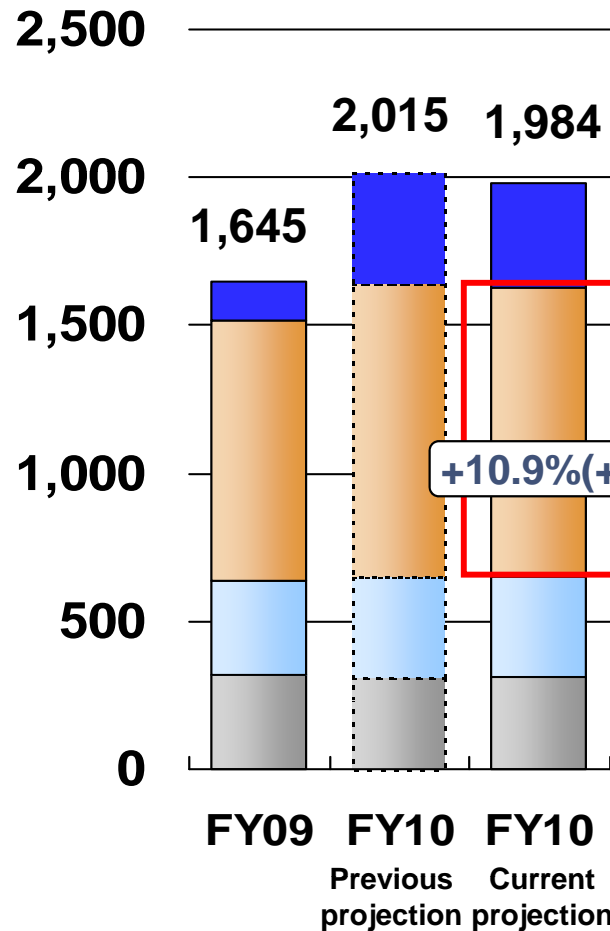
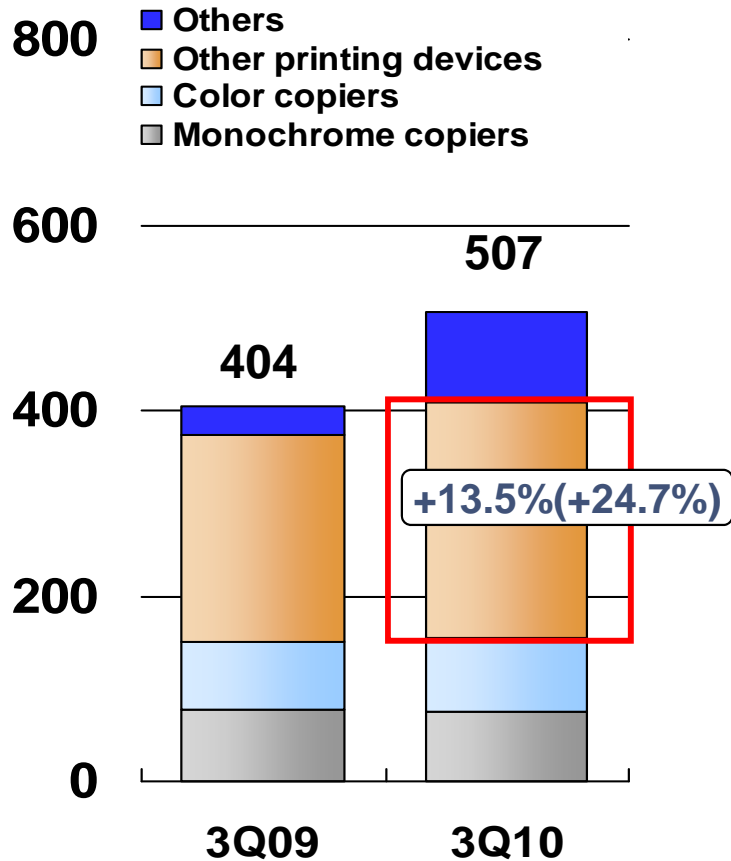
Note: FY10 projections include effects of new consolidation in "Others."

Office (Other Printing Devices)

3Q 2010 Actual / FY 2010 Projection

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Growth rate y/y (Unit base)		
LP	3Q	FY
Color	+26%	+47%
Mono-chrome	+64%	+67%
Total	+58%	+64%

Color ratio (LP)

	3Q	FY
Value base*	41%	42%
Unit base	13%	13%

*Percentage of Other Printing Devices Sales attributable to Color LP

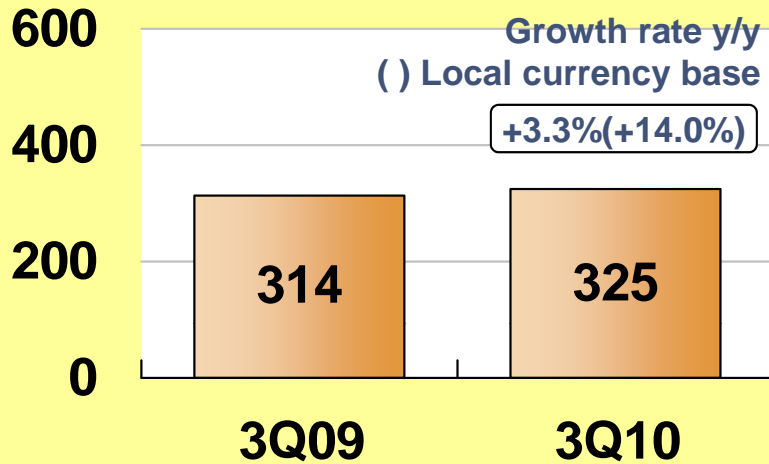
Note: FY10 projections include effects of new consolidation in "Others."

Consumer

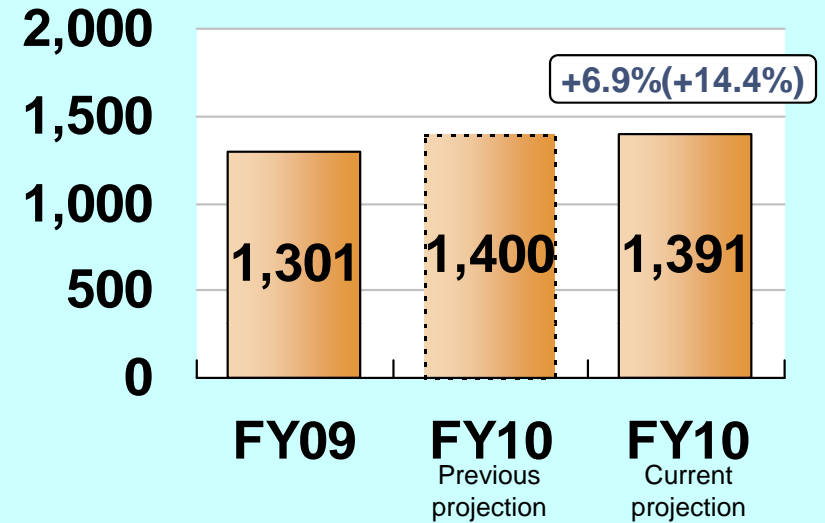
3Q 2010 Actual / FY 2010 Projection

(Billions of yen) **3Q**

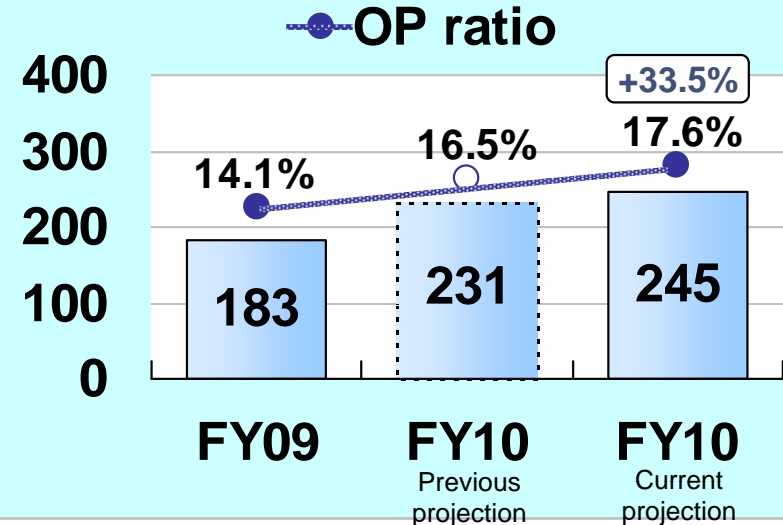
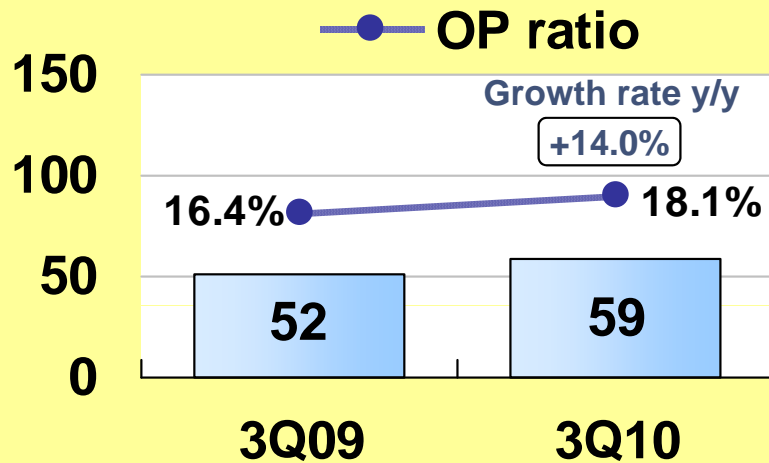
Sales



(Billions of yen) **FY**



Op. Profit

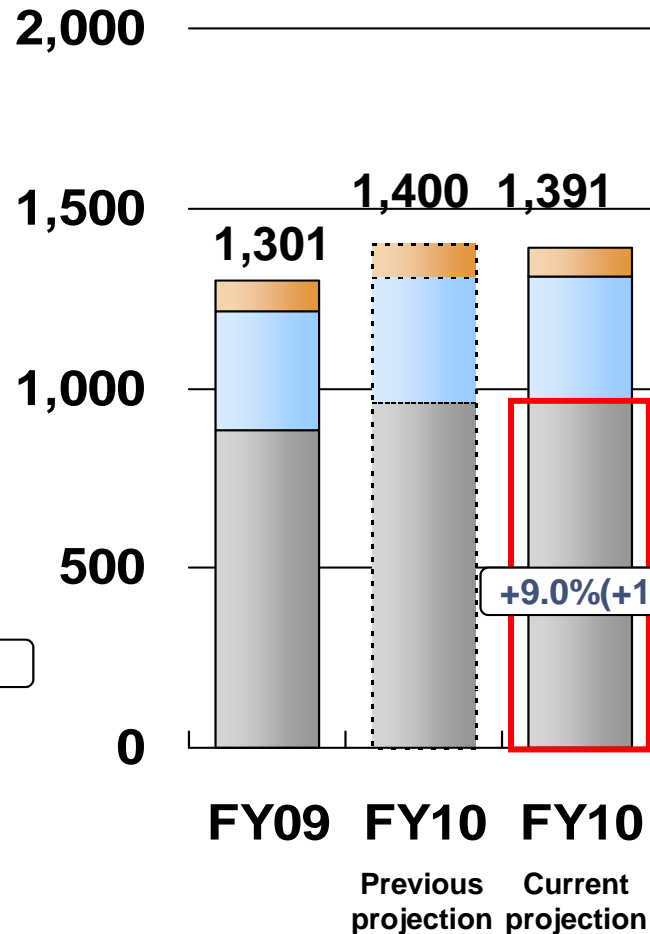
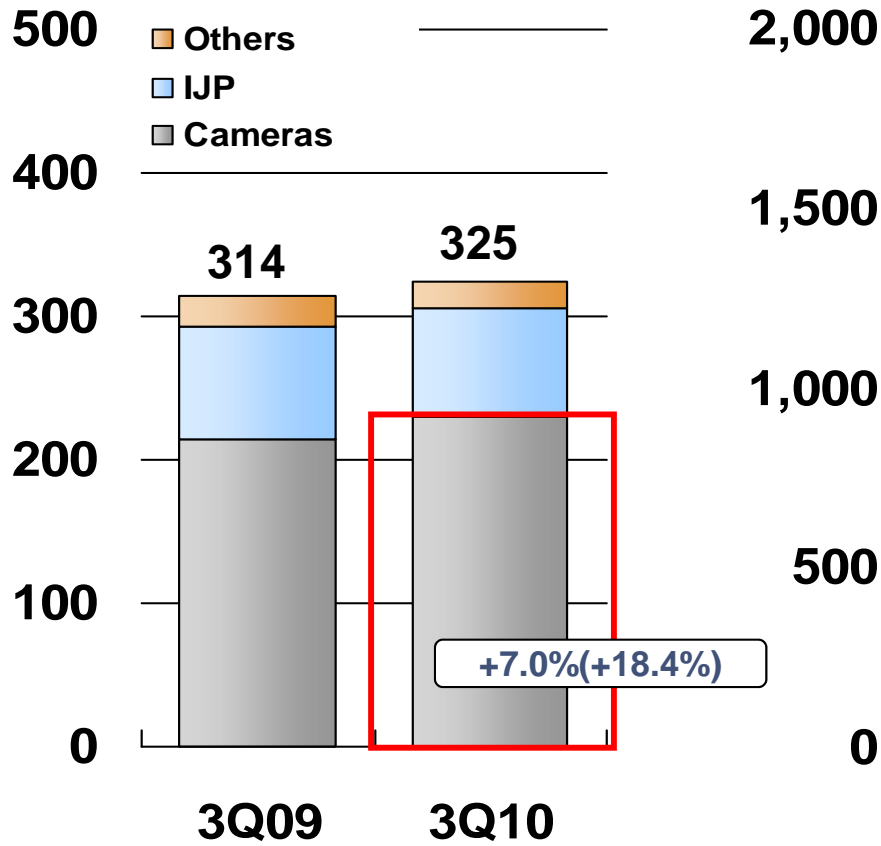


Consumer (Cameras)

3Q 2010 Actual / FY 2010 Projection

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Growth rate y/y (Unit base)		
	3Q	FY
Digital cameras	+10%	+11%

D SLR ratio*		
	3Q	FY
Value base	66%	65%
Unit base	23%	21%

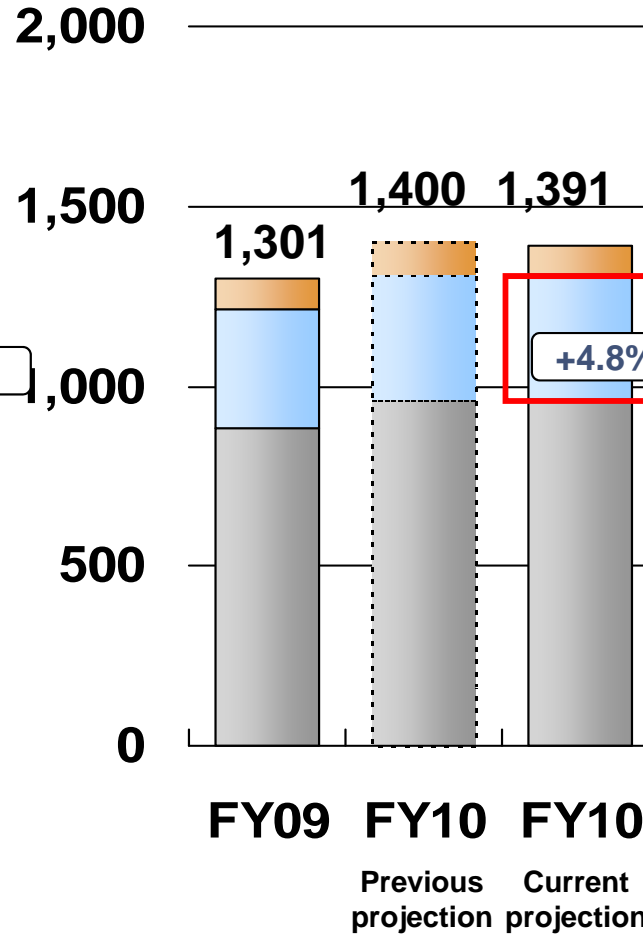
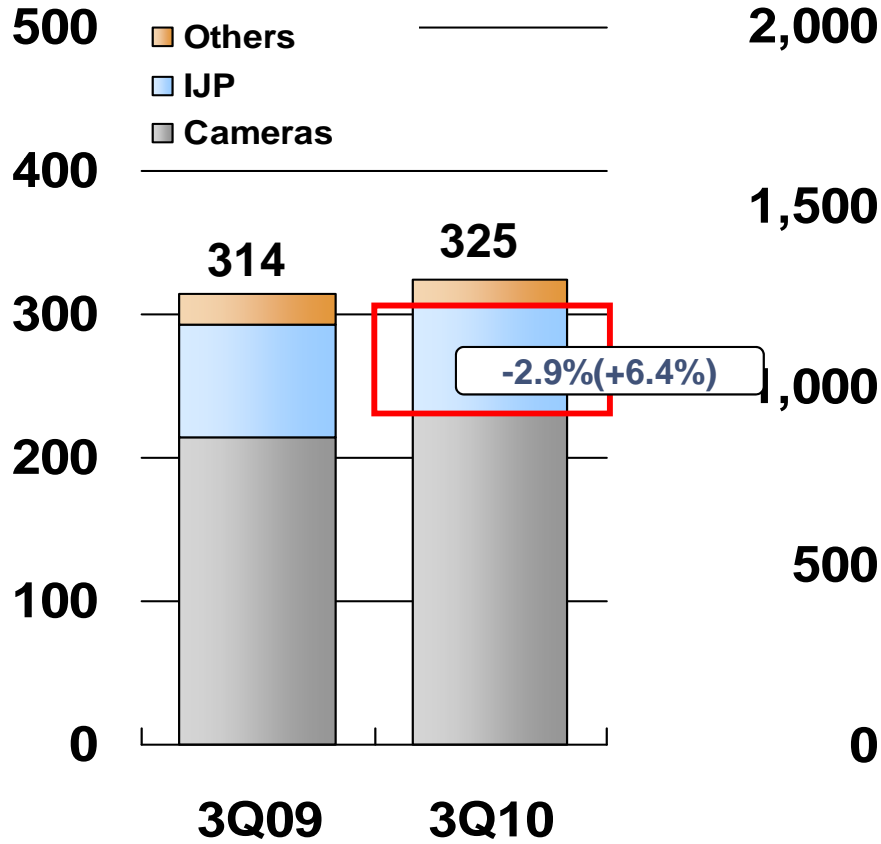
* Percentage of cameras sales attributable to SLRs, interchangeable lenses and related accessories

Consumer (IJP)

3Q 2010 Actual / FY 2010 Projection

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Growth rate y/y (Unit base)		
	3Q	FY
IJP	-2%	+3%

Industry and Others

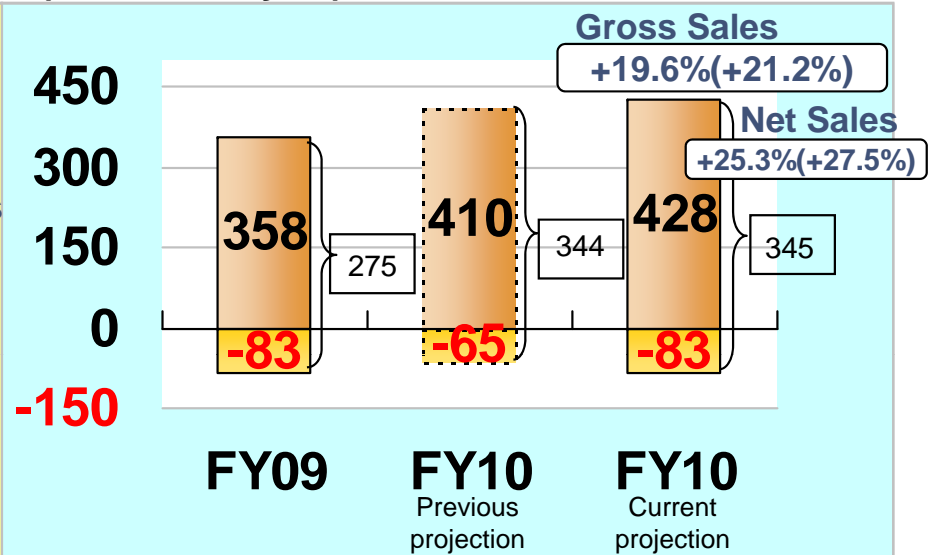
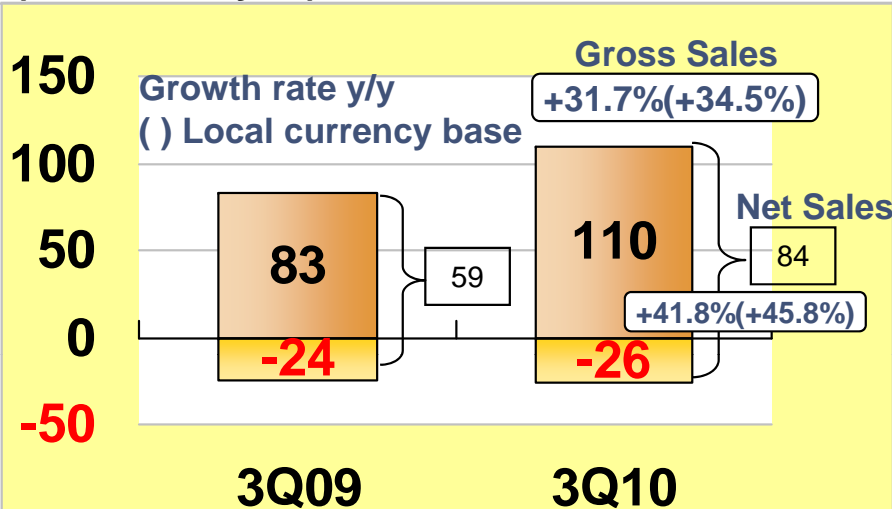
3Q 2010 Actual / FY 2010 Projection

- Gross Sales (Includes sales among Group businesses)
- Net Sales
- Sales Elimination (Sales among Group businesses)

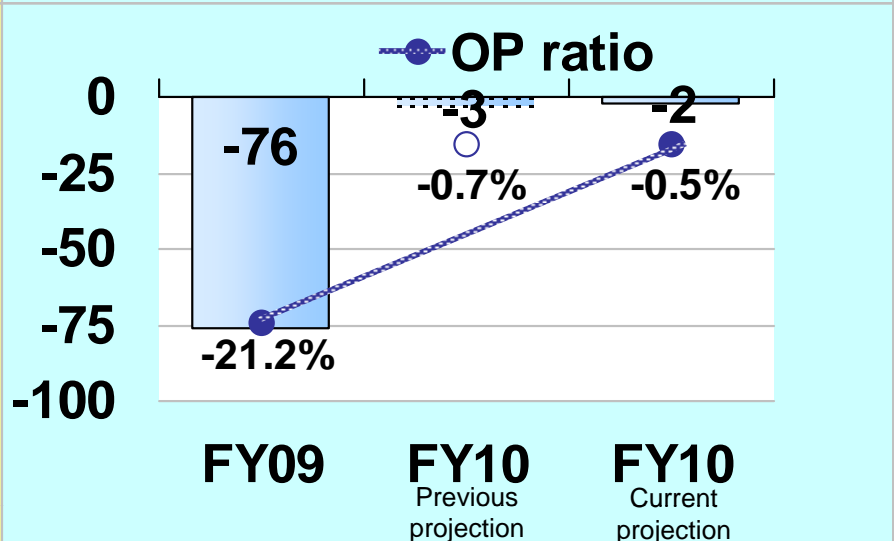
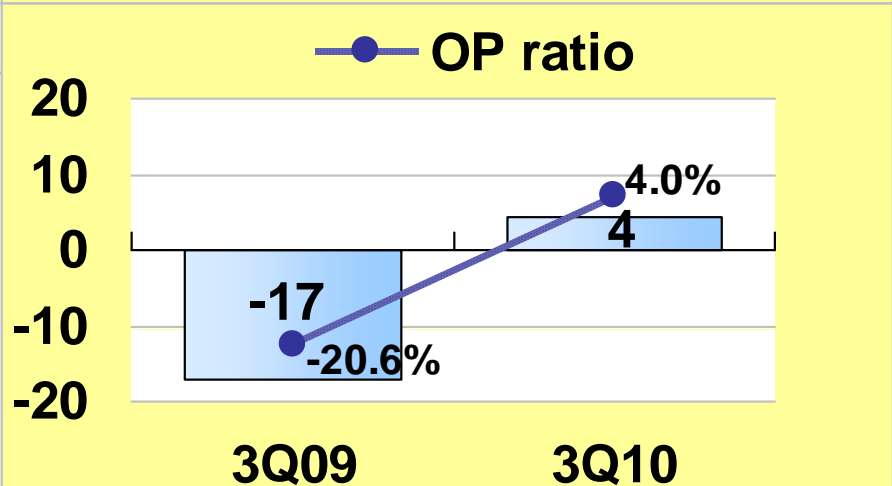
(Billions of yen) **3Q**

(Billions of yen) **FY**

Sales



Op. Profit



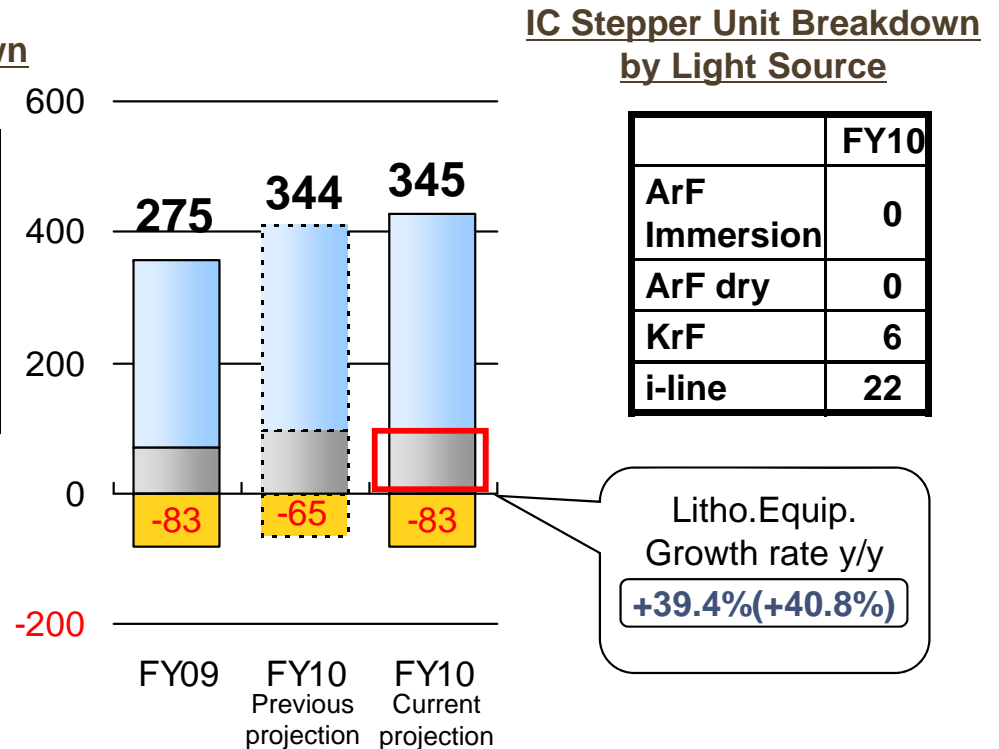
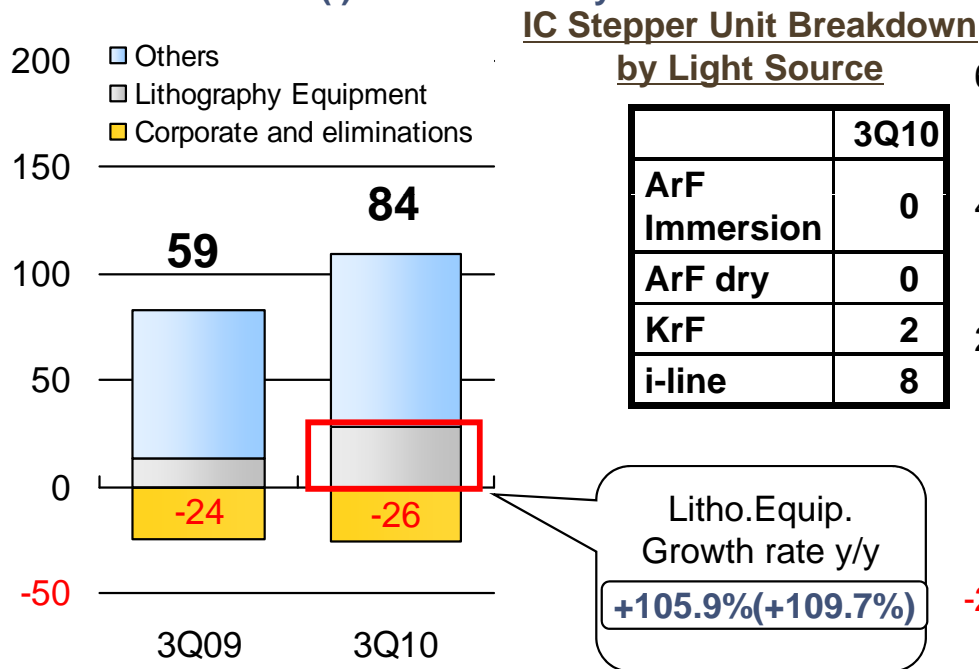
Note: FY10 projections include effects of new consolidation

Industry and Others (Litho.Equip.)

3Q 2010 Actual / FY 2010 Projection

Sales

(Billions of yen) Growth rate y/y
() Local currency base



Lithography Equipment (Unit sales)

	3Q09	3Q10
IC	5	10
LCD	6	16
TTL	11	26

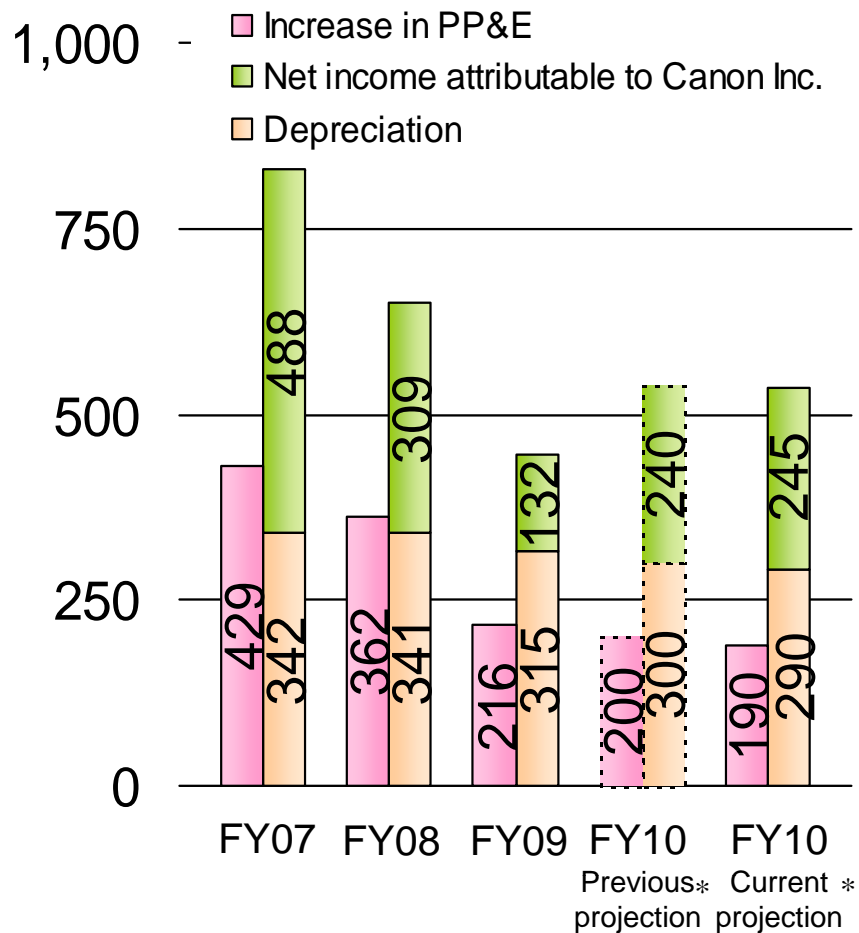
Lithography Equipment (Unit sales)

	FY09	FY10 Previous projection	FY10 Current projection
IC	13	26	28
LCD	38	60	57
TTL	51	86	85

Note: FY10 projections include effects of new consolidation in "Others."

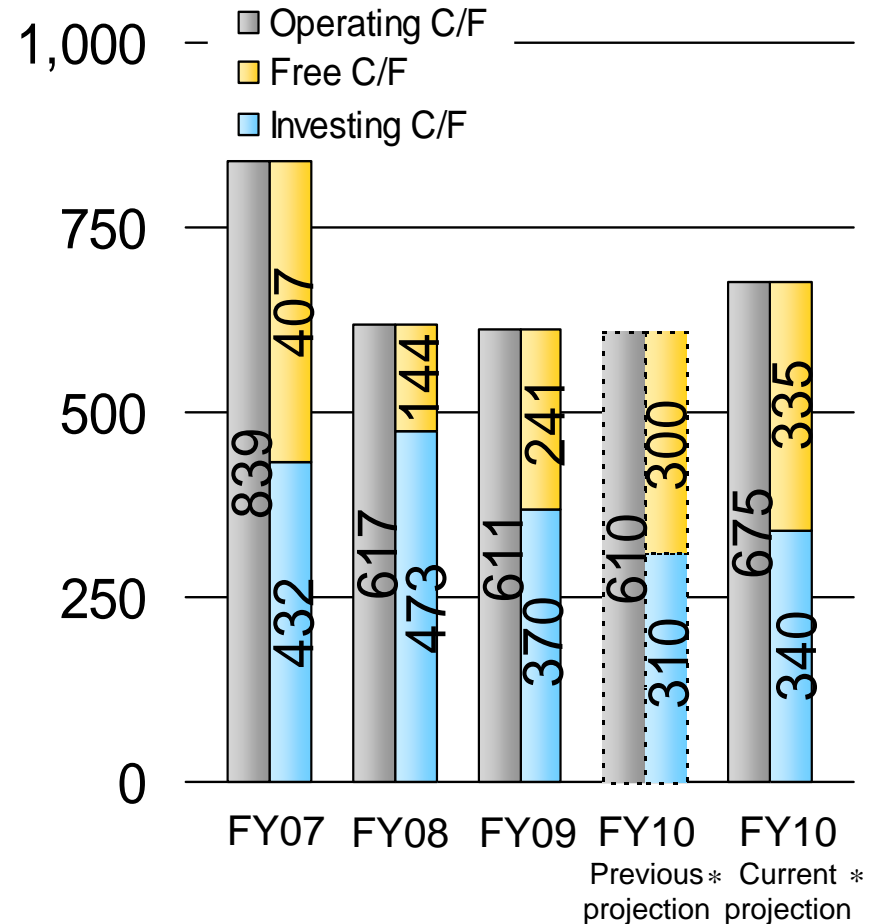
Capital Expenditure

(Billions of yen)



Free Cash Flow

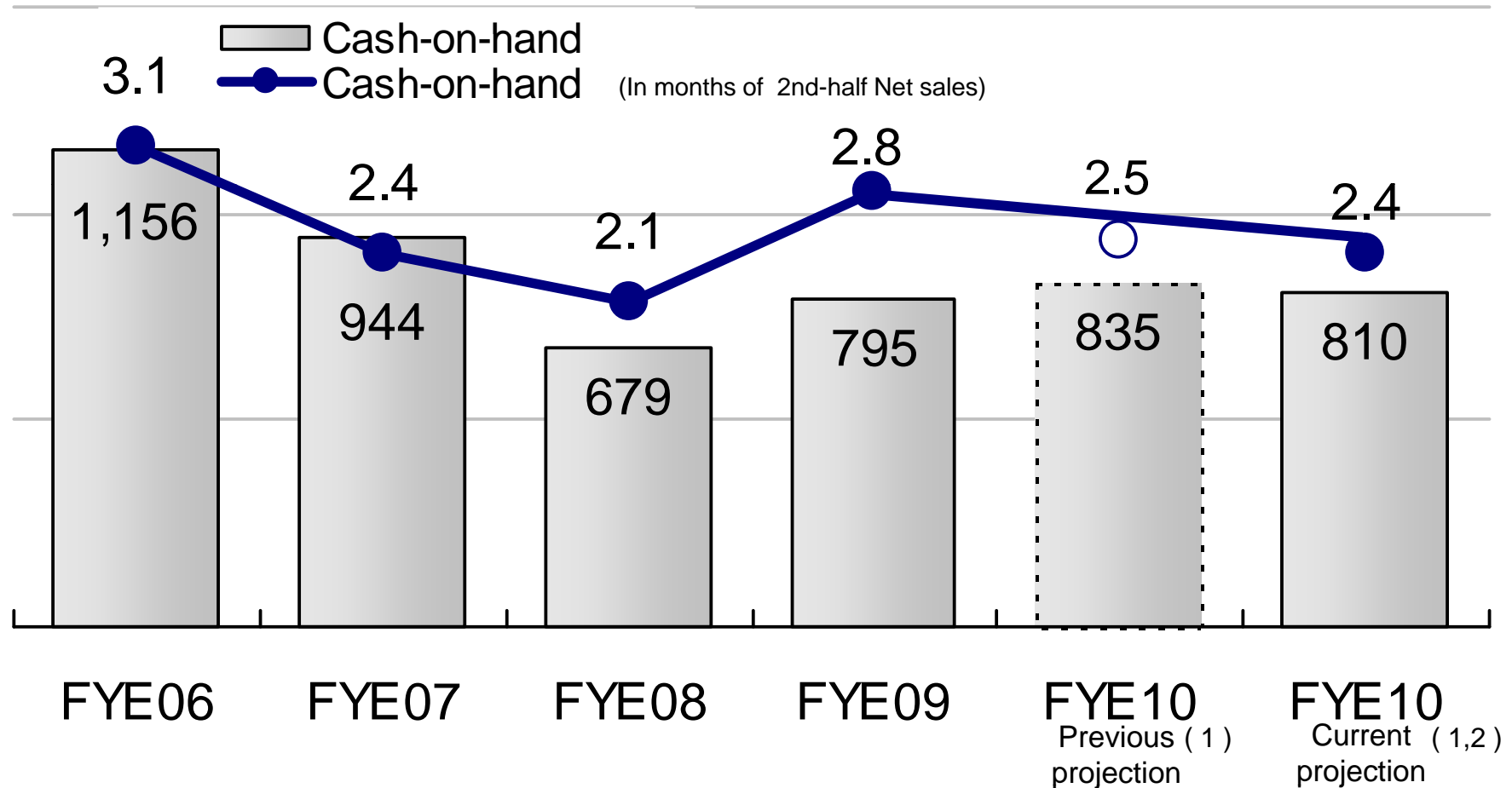
(Billions of yen)



* Includes plans of newly consolidated companies

Cash on Hand

(Billions of yen)



* In 2007, 450 billion yen was used to acquire own share. In 2008, 100 billion yen.

(1) Include the effects of newly consolidated companies

(2) Includes the effect of 50 billion yen used to acquire own share.

Supplementary Information

Transition in Sales and Operating Profit

FY 2010 Current Projection v. FY 2009 Actual

(Billions of yen)

	Sales	Op. Profit
FY 2009 Actual	3,209.2	217.1
Foreign exchange impact [net sales, cost of sales, expenses]	-201.9	-139.0
Sales volume impact		
Office	+198.6	
Consumer	+230.1	
Industry and Others	+84.0	
Total	+512.7	+280.7
Effects of new consolidation	+250.0	-13.0
Others	-60.0	+44.2
Total Change	+500.8	+172.9
FY 2010 Current projection	3,710.0	390.0

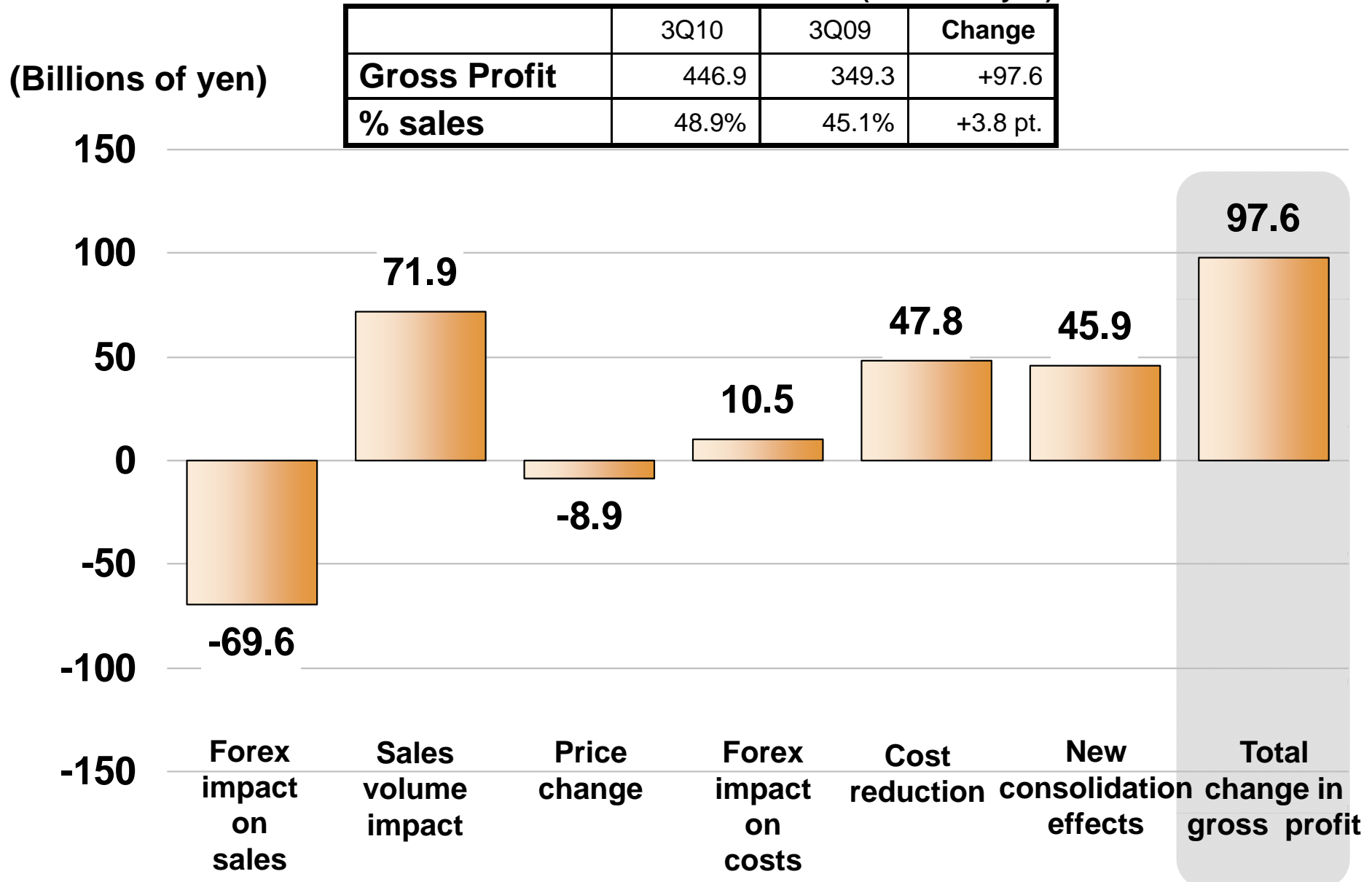
Change in Exchange Rate

- 1USD: 93.21 to 86.69 yen
- 1EURO: 130.46 to 116.32 yen

Gross Profit Variance Analysis

3Q 2010 Actual v. 3Q 2009 Actual

(Billions of yen)



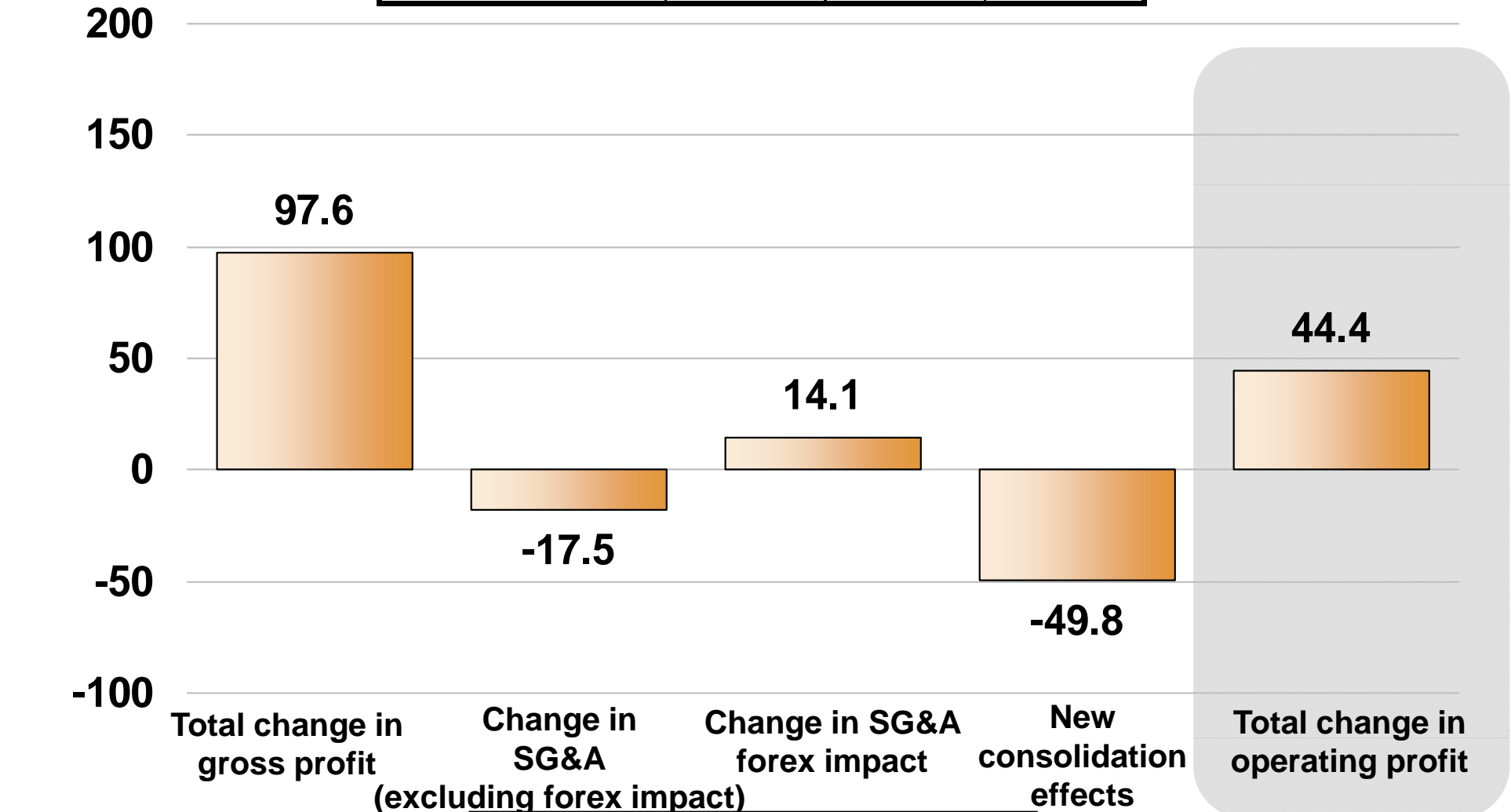
Supplementary Information

Operating Profit Variance Analysis

3Q 2010 Actual v. 3Q 2009 Actual

(Billions of yen)

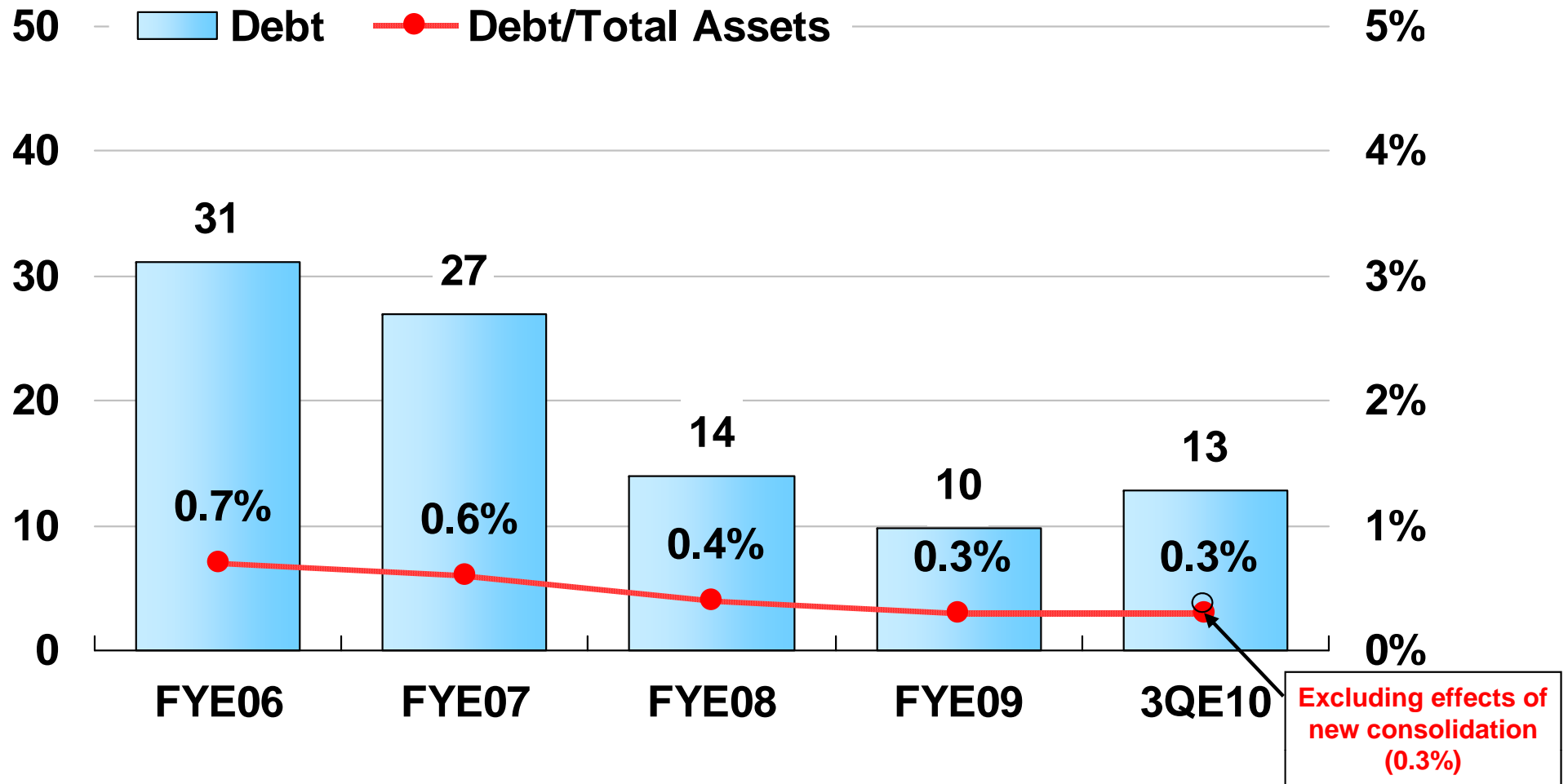
	3Q10	3Q09	Change
Op. Profit	104.4	60.0	+44.4
% sales	11.4%	7.7%	+3.7 pt.



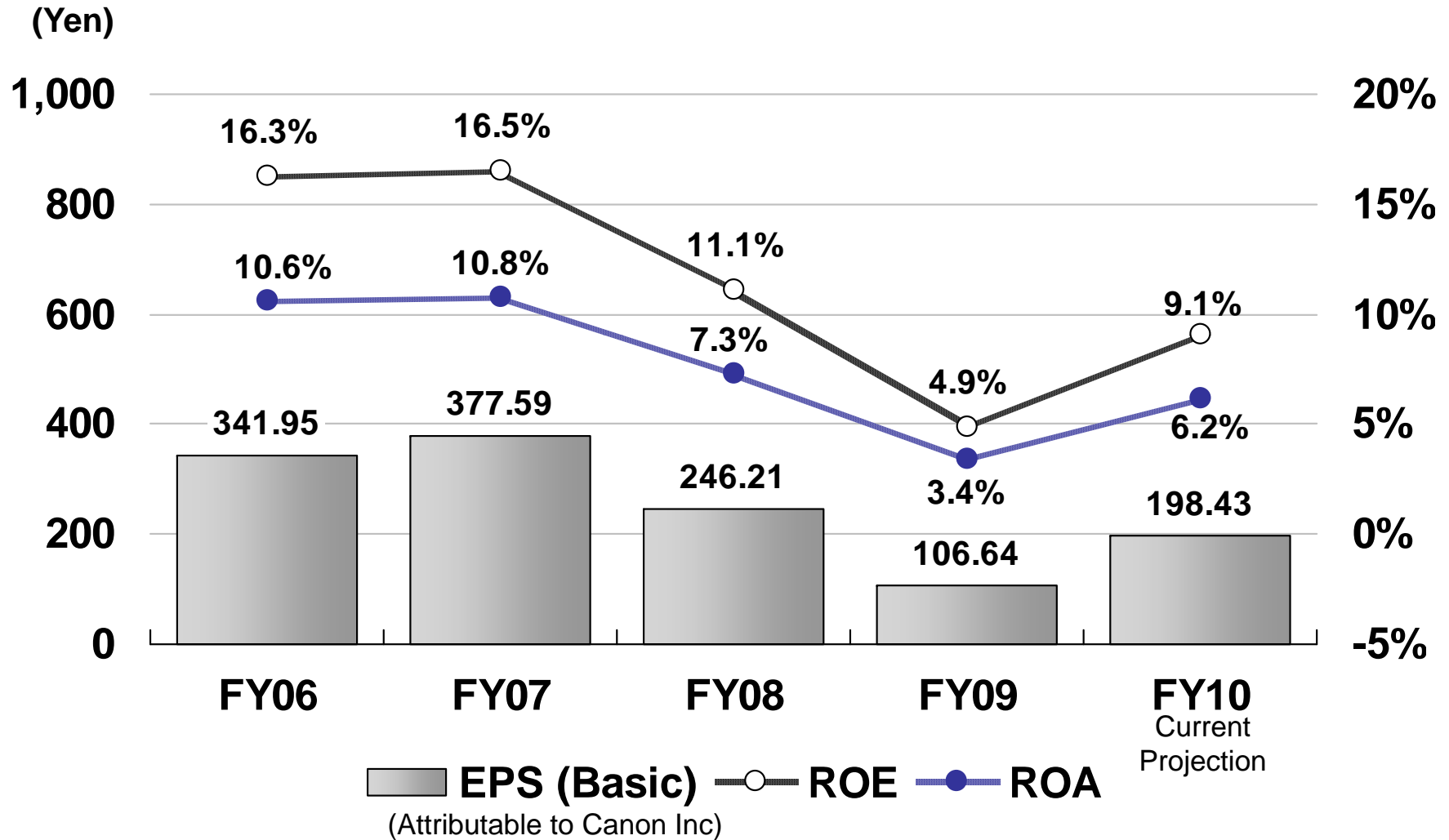
Supplementary Information

Interest Bearing Debt

(Billions of yen)



Financial Ratios



Note 1: EPS (Basic) has been adjusted to reflect a 3-for-2 forward stock split (effective date July 1, 2006)