

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 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 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 | | Change(%) | Projected | | |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------|-----------------------------------|-------------------------------|-----------|
| | Three months ended March 31, 2010 | Three months ended March 31, 2009 | | 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 March 31, 2010 | As of December 31, 2009 | Change(%) | |
| Total assets | ¥ 4,032,810 | ¥ 3,847,557 | + 4.8 | \$ 43,363,548 |

Canon Inc. stockholders equity

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

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 | | | | Change (%) |
|--|----------------------------|------------------------|-----------|------------------------------------|---------------|
| | Year ending | | Change | Year ended December 31, 2009 | |
| | December 31, 2010 | | | | |
| | Previous Outlook (A) | Revised Outlook (B) | (B - A) | Results (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, 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) |

- 5 -

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: | | | | |
| <i>Americas</i> | 204,555 | 176,331 | + 16.0 | 2,199,516 |
| <i>Europe</i> | 230,678 | 210,067 | + 9.8 | 2,480,409 |
| <i>Other areas</i> | 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) |

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

- 7 -

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

| | PAGE |
|--|------|
| 1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT | S 1 |
| 2. SEGMENT INFORMATION BY BUSINESS UNIT | S 2 |
| 3. OTHER INCOME / DEDUCTIONS | S 2 |
| 4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT | S 3 |
| 5. SALES GROWTH IN LOCAL CURRENCY (Year over year) | S 3 |
| 6. PROFITABILITY | S 4 |
| 7. IMPACT OF FOREIGN EXCHANGE RATES | S 4 |
| 8. STATEMENTS OF CASH FLOWS | S 4 |
| 9. R&D EXPENDITURE | S 5 |
| 10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION | S 5 |
| 11. INVENTORIES | S 5 |
| 12. DEBT RATIO | S 5 |
| 13. OVERSEAS PRODUCTION RATIO | S 5 |
| 14. NUMBER OF EMPLOYEES | S 5 |

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

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(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% | - |

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| | | | | | | |
|------------------------|----------|-----------|----------|-----------|--------|--------|
| 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% |

- S1 -

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) | - | - |

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

- S2 -

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

- S3 -

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)

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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

- S4 -

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

- S5 -