



**RESULTS FOR THE FOURTH QUARTER**  
**AND THE FISCAL YEAR ENDED DECEMBER 31, 2008**

January 28, 2009

**CONSOLIDATED RESULTS**

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

	Actual			Projected		
	Year ended December 31, 2008	Year ended December 31, 2007	Change(%)	Year ended December 31, 2008	Year ending December 31, 2009	Change(%)
Net sales	¥ 4,094,161	¥ 4,481,346	- 8.6	\$ 44,990,780	¥ 3,500,000	- 14.5
Operating profit	496,074	756,673	- 34.4	5,451,363	160,000	- 67.7
Income before income taxes and minority interests	481,147	768,388	- 37.4	5,287,330	160,000	- 66.7
Net income	¥ 309,148	¥ 488,332	- 36.7	\$ 3,397,231	¥ 98,000	- 68.3
Net income per share:						
- Basic	¥ 246.21	¥ 377.59	- 34.8	\$ 2.71	¥ 79.39	- 67.8
- Diluted	246.20	377.53	- 34.8	2.71	-	-

	Actual		
	As of December 31, 2008	As of December 31, 2007	Change(%)
Total assets	¥ 3,969,934	¥ 4,512,625	- 12.0
Stockholders' equity	¥ 2,659,792	¥ 2,922,336	- 9.0

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 JPY91 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2008, solely for the convenience of the reader.

**NON-CONSOLIDATED RESULTS**

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

	Actual		
	Year ended December 31, 2008	Year ended December 31, 2007	Change(%)
Net sales	¥ 2,721,094	¥ 2,887,912	- 5.8
Operating profit	358,706	533,841	- 32.8
Ordinary profit	359,086	552,843	- 35.0
Net income	¥ 224,135	¥ 366,973	- 38.9
Net income per share:			
- Basic	¥ 178.50	¥ 283.75	- 37.1
- Diluted	178.49	283.70	- 37.1
Dividend per share	110.00	110.00	-

  

	Actual		
	As of December 31, 2008	As of December 31, 2007	Change(%)
Total assets	¥ 2,618,998	¥ 2,790,892	- 6.2
Net assets	¥ 1,865,005	¥ 1,890,566	- 1.4

Note: U.S. dollar amounts are translated from yen at the rate of JPY91 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2008, solely for the convenience of the reader.

# I. Operating Results and Financial Conditions

## 2008 in Review

Looking back at the global economy in 2008, while the effects of the subprime loan crisis led to a slowdown that was felt in major countries from the beginning of the year, stock markets plunged and the real economy in these countries rapidly deteriorated, especially toward the end of the year, as a result of increasing financial uncertainty triggered by the failures of major financial institutions in the United States. Furthermore, growth in Asia and other emerging economies slowed down sharply due to a decline in exports, and the sense of a severe recession of global proportions has gradually spread. As for foreign exchange markets, the unilateral yen buying that began in early autumn drove up the value of the yen against all other foreign currencies.

As for the markets in which Canon operates amid these conditions, within the digital camera segment, demand for digital single-lens reflex (SLR) cameras continued to expand. While demand for compact digital cameras declined sharply toward the end of the year and prices continued to fall, the market staged healthy growth for the year. As for the office imaging products market, sales of color network digital multifunction devices (MFDs) showed robust growth amid the shift toward color models in each region, although demand for monochrome models remained low. As for computer peripherals, in addition to a drop in demand for monochrome laser beam printers, sales of color-model printers, which had enjoyed sustained healthy expansion, remained relatively unchanged from the previous year. With regard to inkjet printers, although demand continued to shift from single-function to multifunction models, demand overall for the segment declined. Within the optical equipment segment, while the market for aligners, used to produce liquid crystal display (LCD) panels, realized a rapid recovery thanks to an increase in capital spending by LCD panel manufacturers, demand for steppers, utilized in the production of semiconductors, fell significantly. The average value of the yen during the year was ¥103.23 to the U.S. dollar, a year-on-year appreciation of about 14%, and ¥151.46 to the euro, a year-on-year appreciation of approximately 7%.

Consolidated net sales for the period was ¥4,094.2 billion (U.S.\$44,991 million), a year-on-year decline of 8.6%, due to the effects of the substantial rise in value of the yen along with falling prices of such consumer products as digital cameras and inkjet printers, and reduced sales volumes due to decreased demand for network MFDs, laser beam printers, and other office equipments. Despite the continued launch of new products and ongoing cost-cutting efforts, such factors as the sharp appreciation of the yen, falling product prices accompanied by the rise in prices of materials led to a decline in the gross profit ratio of 2.8 points to 47.3%. As a result, gross profit decreased by 13.8% to ¥1,938.0 billion (U.S.\$21,297 million). While R&D expenditures increased slightly compared with the previous year, Group-wide cost reduction efforts contributed to a decline in total operating expenses of 3.2%. The sales-to-expense ratio rose by 2.0 points to 35.2% from the year before due to the reduction in sales. Consequently, operating profit dropped 34.4% compared with the previous year to a total of ¥496.1 billion (U.S.\$5,451 million). Other income (deductions) decreased by ¥26.6 billion (U.S.\$293 million) due to such factors as a reduction in interest income stemming from a decrease in cash surplus and a lower yield on investment, a decline in earnings on investments in affiliates accounted for by the equity method, and write-downs of non-current marketable securities. As a result, income before income taxes and minority interests totaled ¥481.1 billion (U.S.\$5,287 million), a decline of 37.4% from the year-ago period, while net income also recorded a decrease of 36.7% to ¥309.1 billion (U.S.\$3,397 million).

Basic net income per share was ¥246.21 (U.S.\$2.71), a year-on-year decline of ¥131.38 (U.S.\$1.44).

## Results by Product Segment

Looking at the consolidated results for the year by business sector, within the business machines segment, as demand for network MFDs in global markets continued to shift to color models for the office imaging products category, the appreciation of the yen along with restrained investment in office equipment due to concern over business performance led to flagging sales in major regions. Consequently, sales for the category declined by 13.3% year on year. In the field of computer peripherals, laser beam printer sales suffered the significant impact of the strong yen along with reduced demand, resulting in a decrease in sales volume for monochrome models and slight increase for color models. As such, sales of laser beam printers declined 5.6% from the year-ago period. As for inkjet printers, as sales volume for single-function models continued to drop, efforts focusing on expanded sales of multifunction business-use models resulted in an increase in sales volume overall. Additionally, although sales of related consumables also displayed growth, the impact of the yen's appreciation resulted in a sales decrease of 4.5% for inkjet printer products, and a decline in sales of 5.4% for the computer peripherals segment overall. As for business information products, reduced personal computer sales in the Japanese domestic market resulted in a sales decline of 20.1%. Collectively, sales of business machines overall for the year totaled ¥2,660.0 billion (U.S.\$29,231 million), a decline of 9.4% compared with the previous year, while operating profit totaled ¥544.6 billion (U.S.\$5,985 million), decreasing 16.2% mainly due to the reduction in sales.

Within the cameras segment, the high-resolution, competitively priced EOS Digital Rebel XSi (EOS 450D) and advanced-amateur model EOS 40D enjoyed healthy sales, contributing to growth in sales volume for digital SLR cameras. Sales volume also increased for compact digital cameras despite stagnant market conditions as the company bolstered its product lineup with the introduction of 16 new models, including 6 new ELPH (IXUS)-series models and 10 PowerShot-series models. Consequently, while unit sales of digital cameras increased by 4% year on year, sales value for the camera segment overall declined by 9.6% to ¥1,042.0 billion (U.S.\$11,450 million) due to falling prices and the appreciation of the yen. Additionally, operating profit for the sector decreased by 38.9% year on year to ¥187.8 billion (U.S.\$2,064 million) as a result of the drop in sales value, coupled with the significant decline in the gross profit ratio stemming from falling prices and the effects of the strong yen.

In the optical and other products segment, while sales of aligners, used to produce LCD panels, gained momentum owing to a recovery in demand, sales of steppers, used in the production of semiconductors, remained stagnant due to deteriorating market conditions. As a result, sales for the segment totaled ¥392.2 billion (U.S.\$4,310 million), approximately the same level as the previous year. Operating profit for the segment fell to negative ¥45.5 billion (U.S.\$500 million) as a result of a significant increase in cost of sales and outlays due to such factors as the disposal of inventories, which was carried out in response to rising concerns that weak market sentiment may continue, and the appreciation of the yen, along with the impairment of fixed assets equipped with current technologies.

## Cash Flow

In 2008, Canon generated cash flow from operating activities of ¥616.7 billion (U.S.\$6,777 million), a decrease of ¥222.6 billion (U.S.\$2,446 million) compared with the previous year, mainly reflecting the decrease in net income. Although capital investments were concentrated to items relevant to reinforcing production and achieving cost reductions, cash flow from investing activities totaled ¥472.5 billion (U.S.\$5,192 million), a year-on-year increase of ¥40.0 billion (U.S.\$440 million), mainly due to the acquisition of shares of Hitachi Displays, Ltd. toward the launch of Canon's display business. As a result, free cash flow totaled ¥144.2 billion (U.S.\$1,585 million), a decline of ¥262.6 billion (U.S.\$2,885 million).

Cash flow from financing activities recorded an outlay of ¥277.6 billion (U.S.\$3,050 million), mainly resulting from the dividend payout of ¥145.0 billion (U.S.\$1,594 million) and the purchase of treasury stocks totaling ¥100.0 billion (U.S.\$1,100 million). Consequently, cash and cash equivalents decreased by ¥265.3 billion (U.S.\$2,915 million) to ¥679.2 billion (U.S.\$7,464 million) from the end of the previous year, including the ¥131.9 billion (U.S.\$1,450 million) negative impact of currency translation adjustments due to the appreciation of the yen.

## Non-consolidated Results

Non-consolidated net sales totaled ¥2,721.1 billion (U.S.\$29,902 million), a year-on-year decrease of 5.8%, ordinary profit declined by 35.0% to ¥359.1 billion (U.S.\$3,946 million), and net income fell by 38.9% to ¥224.1 billion (U.S.\$2,463 million).

## Outlook

As for the outlook for the global economy in fiscal 2009, prospects remain highly uncertain in the face of the serious situation posed by the concurrent recession in Japan, America and Europe, along with the rapid slowdown in the growth rates of emerging economies. Prices of crude oil and materials are expected to fluctuate for the time being mainly due to political insecurity in producing countries. Amid these conditions, although countries worldwide have been embarking on various economic stimulus packages and financial policies, many concerns remain and considerable time is expected before such measures will gradually render effects to lead the global economy toward gentle recovery.

In the businesses in which Canon is involved, the compact digital camera and inkjet printer markets are expected to remain stagnant owing to weak buyer sentiment amid the depressed economic environment. Demand for network digital MFDs and laser beam printers is projected to remain sluggish for both monochrome and color models due to reluctance in office equipment purchases. Demand for steppers and aligners is also expected to contract as device makers and LCD panel manufacturers reconsider their capital expenditure plans.

With regard to the currency exchange rates on which Canon's performance outlook for the full year is based, despite the highly unstable economic environment and uncertainty over future interest rate policies and economic prospects, Canon anticipates exchange rates of ¥90 to the U.S. dollar and ¥120 to the euro, representing year-on-year appreciation of approximately 15% against the U.S. dollar and about 26% against the euro, respectively. The company projects consolidated net sales of ¥3,500.0 billion (U.S.\$38,462 million), a year-on-year decrease of 14.5%; operating profit of ¥160.0 billion (U.S.\$1,758 million), a year-on-year decline of 67.7%; income before income taxes and minority interests of ¥160.0 billion (U.S.\$1,758 million), a year-on-year decline of 66.7%; and net income of ¥98.0 billion (U.S.\$1,077 million), a year-on-year decline of 68.3%.

## Basic Policy Regarding Profit Distribution and Dividends for the Current Fiscal Year

Canon is being more proactive in returning profits to shareholders, mainly in the form of a dividend, taking into consideration planned future investments, free cash flow, and reflecting the company's consolidated business performance. Specifically, Canon's basic policy is to continuously strive to raise its consolidated payout ratio to approximately 30% over the medium to long term.

The company recorded a decrease in profits amid extremely severe economic conditions but, prioritizing stable returns to shareholders, plans to distribute a full-year dividend totaling ¥110.00 (U.S.\$1.21) per share (interim dividend of ¥55.00 [U.S.\$0.60] per share [already distributed], and year-end dividend of ¥55.00 [U.S.\$0.60]), the same amount per share as 2007.

Based on the above, the consolidated payout ratio was 23.1% in 2005, 24.4% in 2006, 28.8% in 2007, and will be 44.4% in 2008.

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

## II. Management Policy

### (1) Basic Policy

Under the corporate philosophy of *kyosei*—living and working together for the common good—Canon’s basic management policy is to contribute to the prosperity and well-being of the world while endeavoring to become a truly excellent global corporate group targeting continued growth and development.

### (2) Management Goals

Based on this basic management policy, Canon launched two consecutive five-year management plans—Phase I of its Excellent Global Corporation Plan in 1996, and Phase II in 2001— with the aim of becoming a truly excellent global corporation. Through these two management plans, the company promoted a range of management reforms, thoroughly strengthening its product competitiveness and financial base. Since 2006, under a new five-year management plan—Phase III, which targets further growth and improved corporate value—Canon is pursuing “sound growth,” making use of the solid management foundation achieved through the two preceding plans, and further expanding its corporate scale while maintaining a high level of profitability. In particular, the company is focusing on the following five important management objectives.

- 1) Achieving the overwhelming No. 1 position worldwide in all current core businesses
- 2) Expanding business operations through diversification
- 3) Identifying new business domains and accumulating required technologies
- 4) Establishing new production systems to sustain international competitiveness
- 5) Nurturing truly autonomous and strong individuals promoting everlasting corporate reforms

Canon is, however, currently facing an economic environment said to occur once in a century. Amid these harsh conditions, we are making a major change in course this year from “sound growth” to “improved management quality,” and pushing forward to overcome this crisis while preparing to burst ahead of other companies when the economic environment recovers.

### (3) Business Challenges and Countermeasures

At Canon, the creation of new businesses and maintaining a high profitability structure represent two very important management objectives to ensure continuous future growth.

As for new businesses, the company is promoting research based on leading-edge technologies in its areas of expertise, such as biotechnology, nanotechnology and life sciences. At the same time, Canon is also looking into M&A opportunities and business tie-ups toward launching such businesses. Additionally, the company aims to enter the display business, moving away from a focus on still images while strengthening the ability to deliver video images, which will play an increasingly important role in the broadband era.

With regard to maintaining the company’s current high profitability structure, in order to effectively respond to the intensifying price competition centered on the consumer goods market and the investment burden that accompanies the launch of competitive new businesses, Canon believes that it is important to further improve the profit-earning ability of current businesses. To facilitate this, the company is promoting the development of new products and actively carrying out cost-reduction activities.

Canon also views its approach to the environment as an important management issue. From the product planning stage through to design, development, production, sales, use, recovery and recycling, the company focuses its energies on such areas as creating environmentally conscious products that realize energy efficiency, resource efficiency, and eliminate the use of hazardous substances. Additionally, Canon actively promotes the development of recycling systems, the expansion of green procurement policies, the disclosure of environmental information, and participation in environmental conservation activities at the community level.

**III. Financial Statements****1. CONSOLIDATED STATEMENTS OF INCOME**

<b>Results for the fourth quarter</b>	Millions of yen			Thousands of
	Three months	Three months	Change(%)	U.S. dollars
	ended December 31, 2008	ended December 31, 2007		Three months ended December 31, 2008
Net sales	¥ 994,740	¥ 1,263,799	- 21.3	\$ 10,931,209
Cost of sales	573,343	652,724		6,300,473
Gross profit	421,397	611,075	- 31.0	4,630,736
Operating expenses:				
Selling, general and administrative expenses	273,681	309,519		3,007,484
Research and development expenses	111,891	107,980		1,229,571
	385,572	417,499		4,237,055
Operating profit	35,825	193,576	- 81.5	393,681
Other income (deductions):				
Interest and dividend income	3,849	7,319		42,297
Interest expense	(164)	(326)		(1,802)
Other, net	(22,597)	(649)		(248,319)
	(18,912)	6,344		(207,824)
Income before income taxes and minority interests	16,913	199,920	- 91.5	185,857
Income taxes	3,816	67,844		41,934
Income before minority interests	13,097	132,076		143,923
Minority interests	1,475	4,231		16,209
Net income	¥ 11,622	¥ 127,845	- 90.9	\$ 127,714

Note: Comprehensive income for the three months ended December 31, 2008 and 2007 was JPY194,776 million (decrease) (U.S.\$2,140,396 thousand decrease) and JPY102,988 million (increase), respectively.

<b>Results for the fiscal year</b>	Millions of yen			Thousands of
	Year ended	Year ended	Change(%)	U.S. dollars
	December 31, 2008	December 31, 2007		Year ended December 31, 2008
Net sales	¥ 4,094,161	¥ 4,481,346	- 8.6	\$ 44,990,780
Cost of sales	2,156,153	2,234,365		23,693,989
Gross profit	1,938,008	2,246,981	- 13.8	21,296,791
Operating expenses:				
Selling, general and administrative expenses	1,067,909	1,122,047		11,735,263
Research and development expenses	374,025	368,261		4,110,165
	1,441,934	1,490,308		15,845,428
Operating profit	496,074	756,673	- 34.4	5,451,363
Other income (deductions):				
Interest and dividend income	19,442	32,819		213,648
Interest expense	(837)	(1,471)		(9,198)
Other, net	(33,532)	(19,633)		(368,483)
	(14,927)	11,715		(164,033)
Income before income taxes and minority interests	481,147	768,388	- 37.4	5,287,330
Income taxes	160,788	264,258		1,766,901
Income before minority interests	320,359	504,130		3,520,429
Minority interests	11,211	15,798		123,198
Net income	¥ 309,148	¥ 488,332	- 36.7	\$ 3,397,231

Note: Comprehensive income for the year ended December 31, 2008 and 2007 was JPY18,342 million (decrease) (U.S.\$201,560 thousand decrease) and JPY520,284 million (increase), respectively.

2. DETAILS OF SALESResults for the fourth quarter

Sales by product	Millions of yen			Thousands of U.S. dollars
	Three months ended	Three months ended	Change(%)	Three months ended
	December 31, 2008	December 31, 2007		December 31, 2008
Business machines:				
<i>Office imaging products</i>	¥ 250,608	¥ 352,645	- 28.9	\$ 2,753,934
<i>Computer peripherals</i>	350,958	420,862	- 16.6	3,856,682
<i>Business information products</i>	18,457	29,668	- 37.8	202,824
	<u>620,023</u>	<u>803,175</u>	- 22.8	<u>6,813,440</u>
Cameras	262,762	365,102	- 28.0	2,887,495
Optical and other products	111,955	95,522	+ 17.2	1,230,274
Total	<u>¥ 994,740</u>	<u>¥ 1,263,799</u>	- 21.3	<u>\$ 10,931,209</u>

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended	Three months ended	Change(%)	Three months ended
	December 31, 2008	December 31, 2007		December 31, 2008
Japan	¥ 224,710	¥ 270,620	- 17.0	\$ 2,469,341
Overseas:				
<i>Americas</i>	283,002	380,414	- 25.6	3,109,912
<i>Europe</i>	308,121	437,989	- 29.7	3,385,945
<i>Other areas</i>	178,907	174,776	+ 2.4	1,966,011
	<u>770,030</u>	<u>993,179</u>	- 22.5	<u>8,461,868</u>
Total	<u>¥ 994,740</u>	<u>¥ 1,263,799</u>	- 21.3	<u>\$ 10,931,209</u>

Results for the fiscal year

Sales by product	Millions of yen			Thousands of U.S. dollars
	Year ended	Year ended	Change(%)	Year ended
	December 31, 2008	December 31, 2007		December 31, 2008
Business machines:				
<i>Office imaging products</i>	¥ 1,119,523	¥ 1,290,788	- 13.3	\$ 12,302,451
<i>Computer peripherals</i>	1,454,768	1,537,511	- 5.4	15,986,462
<i>Business information products</i>	85,728	107,243	- 20.1	942,065
	<u>2,660,019</u>	<u>2,935,542</u>	- 9.4	<u>29,230,978</u>
Cameras	1,041,947	1,152,663	- 9.6	11,449,967
Optical and other products	392,195	393,141	- 0.2	4,309,835
Total	<u>¥ 4,094,161</u>	<u>¥ 4,481,346</u>	- 8.6	<u>\$ 44,990,780</u>

Sales by region	Millions of yen			Thousands of U.S. dollars
	Year ended	Year ended	Change(%)	Year ended
	December 31, 2008	December 31, 2007		December 31, 2008
Japan	¥ 868,280	¥ 947,587	- 8.4	\$ 9,541,538
Overseas:				
<i>Americas</i>	1,154,571	1,336,168	- 13.6	12,687,593
<i>Europe</i>	1,341,400	1,499,286	- 10.5	14,740,659
<i>Other areas</i>	729,910	698,305	+ 4.5	8,020,990
	<u>3,225,881</u>	<u>3,533,759</u>	- 8.7	<u>35,449,242</u>
Total	<u>¥ 4,094,161</u>	<u>¥ 4,481,346</u>	- 8.6	<u>\$ 44,990,780</u>

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

3. SEGMENT INFORMATION BY PRODUCT

<b>Results for the fourth quarter</b>	Millions of yen			Thousands of U.S. dollars
	<b>Three months ended December 31, 2008</b>	Three months ended December 31, 2007	Change(%)	<b>Three months ended December 31, 2008</b>
<b>Business machines</b>				
Net sales:				
Unaffiliated customers	¥ 620,023	¥ 803,175	- 22.8	\$ 6,813,440
Intersegment	-	-	-	-
Total	620,023	803,175	- 22.8	6,813,440
Operating cost and expenses	512,437	640,756	- 20.0	5,631,176
Operating profit	¥ 107,586	¥ 162,419	- 33.8	\$ 1,182,264
<b>Cameras</b>				
Net sales:				
Unaffiliated customers	¥ 262,762	¥ 365,102	- 28.0	\$ 2,887,495
Intersegment	-	-	-	-
Total	262,762	365,102	- 28.0	2,887,495
Operating cost and expenses	232,648	271,835	- 14.4	2,556,572
Operating profit	¥ 30,114	¥ 93,267	- 67.7	\$ 330,923
<b>Optical and other products</b>				
Net sales:				
Unaffiliated customers	¥ 111,955	¥ 95,522	+ 17.2	\$ 1,230,274
Intersegment	52,326	65,381	- 20.0	575,011
Total	164,281	160,903	+ 2.1	1,805,285
Operating cost and expenses	218,742	163,558	+ 33.7	2,403,758
Operating profit (loss)	¥ (54,461)	¥ (2,655)	-	\$ (598,473)
<b>Corporate and Eliminations</b>				
Net sales:				
Unaffiliated customers	¥ -	¥ -	-	\$ -
Intersegment	(52,326)	(65,381)	-	(575,011)
Total	(52,326)	(65,381)	-	(575,011)
Operating cost and expenses	(4,912)	(5,926)	-	(53,978)
Operating profit (loss)	¥ (47,414)	¥ (59,455)	-	\$ (521,033)
<b>Consolidated</b>				
Net sales:				
Unaffiliated customers	¥ 994,740	¥ 1,263,799	- 21.3	\$ 10,931,209
Intersegment	-	-	-	-
Total	994,740	1,263,799	- 21.3	10,931,209
Operating cost and expenses	958,915	1,070,223	- 10.4	10,537,528
Operating profit	¥ 35,825	¥ 193,576	- 81.5	\$ 393,681

Note: General corporate expenses of JPY48,253 million (U.S.\$530,253 thousand) and JPY59,318 million in the three months ended December 31, 2008 and 2007, respectively, are included in "Corporate and Eliminations."



<b>Results for the fiscal year</b>	Millions of yen			Thousands of U.S. dollars
	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>	<b>Change(%)</b>	<b>Year ended December 31, 2008</b>
<b>Business Machines</b>				
Net sales:				
Unaffiliated customers	¥ 2,660,019	¥ 2,935,542	- 9.4	\$ 29,230,978
Intersegment	-	-	-	-
Total	2,660,019	2,935,542	- 9.4	29,230,978
Operating cost and expenses	2,115,375	2,285,281	- 7.4	23,245,879
Operating profit	544,644	650,261	- 16.2	5,985,099
Assets	1,487,885	1,762,167	- 15.6	16,350,385
Depreciation and amortization	163,920	159,309	+ 2.9	1,801,319
Increase in property, plant and equipment	¥ 172,197	¥ 166,143	+ 3.6	\$ 1,892,275
<b>Cameras</b>				
Net sales:				
Unaffiliated customers	¥ 1,041,947	¥ 1,152,663	- 9.6	\$ 11,449,967
Intersegment	-	-	-	-
Total	1,041,947	1,152,663	- 9.6	11,449,967
Operating cost and expenses	854,160	845,237	+ 1.1	9,386,374
Operating profit	187,787	307,426	- 38.9	2,063,593
Assets	499,287	561,504	- 11.1	5,486,670
Depreciation and amortization	39,412	37,180	+ 6.0	433,099
Increase in property, plant and equipment	¥ 43,086	¥ 32,870	+ 31.1	\$ 473,472
<b>Optical and Other Products</b>				
Net sales:				
Unaffiliated customers	¥ 392,195	¥ 393,141	- 0.2	\$ 4,309,835
Intersegment	235,690	238,659	- 1.2	2,590,000
Total	627,885	631,800	- 0.6	6,899,835
Operating cost and expenses	673,375	610,720	+ 10.3	7,399,725
Operating profit (loss)	(45,490)	21,080	-	(499,890)
Assets	495,095	544,734	- 9.1	5,440,604
Depreciation and amortization	88,017	69,843	+ 26.0	967,220
Increase in property, plant and equipment	¥ 68,542	¥ 78,449	- 12.6	\$ 753,209
<b>Corporate and Eliminations</b>				
Net sales:				
Unaffiliated customers	¥ -	¥ -	-	\$ -
Intersegment	(235,690)	(238,659)	-	(2,590,000)
Total	(235,690)	(238,659)	-	(2,590,000)
Operating cost and expenses	(44,823)	(16,565)	-	(492,561)
Operating profit (loss)	(190,867)	(222,094)	-	(2,097,439)
Assets	1,487,667	1,644,220	- 9.5	16,347,989
Depreciation and amortization	49,988	75,362	- 33.7	549,318
Increase in property, plant and equipment	¥ 78,163	¥ 151,087	- 48.3	\$ 858,934
<b>Consolidated</b>				
Net sales:				
Unaffiliated customers	¥ 4,094,161	¥ 4,481,346	- 8.6	\$ 44,990,780
Intersegment	-	-	-	-
Total	4,094,161	4,481,346	- 8.6	44,990,780
Operating cost and expenses	3,598,087	3,724,673	- 3.4	39,539,417
Operating profit	496,074	756,673	- 34.4	5,451,363
Assets	3,969,934	4,512,625	- 12.0	43,625,648
Depreciation and amortization	341,337	341,694	- 0.1	3,750,956
Increase in property, plant and equipment	¥ 361,988	¥ 428,549	- 15.5	\$ 3,977,890

Notes: 1. General corporate expenses of JPY190,698 million (U.S.\$2,095,582 thousand) and JPY221,979 million in the years ended December 31, 2008 and 2007, respectively, are included in "Corporate and Eliminations."

2. Corporate assets of JPY1,487,667 million (U.S.\$16,347,989 thousand) and JPY1,644,220 million as of December 31, 2008 and 2007, respectively, which mainly consist of cash and cash equivalents, short-term investments, investments and corporate properties, are included in "Corporate and Eliminations."

## 4. SEGMENT INFORMATION BY GEOGRAPHIC AREA

<b>Results for the fiscal year</b>	Millions of yen			Thousands of U.S. dollars
	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>	<b>Change(%)</b>	<b>Year ended December 31, 2008</b>
<b>Japan</b>				
Net sales:				
Unaffiliated customers	¥ 998,676	¥ 1,048,310	- 4.7	\$ 10,974,462
Intersegment	2,318,521	2,494,251	- 7.0	25,478,252
Total	3,317,197	3,542,561	- 6.4	36,452,714
Operating cost and expenses	2,757,356	2,722,672	+ 1.3	30,300,615
Operating profit	559,841	819,889	- 31.7	6,152,099
Assets	¥ 1,908,675	¥ 2,715,294	- 29.7	\$ 20,974,451
<b>Americas</b>				
Net sales:				
Unaffiliated customers	¥ 1,141,560	¥ 1,329,479	- 14.1	\$ 12,544,615
Intersegment	3,758	4,608	- 18.4	41,297
Total	1,145,318	1,334,087	- 14.1	12,585,912
Operating cost and expenses	1,136,288	1,281,805	- 11.4	12,486,681
Operating profit	9,030	52,282	- 82.7	99,231
Assets	¥ 458,189	¥ 506,295	- 9.5	\$ 5,035,044
<b>Europe</b>				
Net sales:				
Unaffiliated customers	¥ 1,337,147	¥ 1,499,821	- 10.8	\$ 14,693,923
Intersegment	4,329	3,496	+ 23.8	47,572
Total	1,341,476	1,503,317	- 10.8	14,741,495
Operating cost and expenses	1,314,942	1,441,972	- 8.8	14,449,913
Operating profit	26,534	61,345	- 56.7	291,582
Assets	¥ 477,571	¥ 732,579	- 34.8	\$ 5,248,033
<b>Others</b>				
Net sales:				
Unaffiliated customers	¥ 616,778	¥ 603,736	+ 2.2	\$ 6,777,780
Intersegment	670,678	824,844	- 18.7	7,370,088
Total	1,287,456	1,428,580	- 9.9	14,147,868
Operating cost and expenses	1,247,156	1,378,306	- 9.5	13,705,011
Operating profit	40,300	50,274	- 19.8	442,857
Assets	¥ 317,684	¥ 367,234	- 13.5	\$ 3,491,033
<b>Corporate and Eliminations</b>				
Net sales:				
Unaffiliated customers	¥ -	¥ -	-	\$ -
Intersegment	(2,997,286)	(3,327,199)	-	(32,937,209)
Total	(2,997,286)	(3,327,199)	-	(32,937,209)
Operating cost and expenses	(2,857,655)	(3,100,082)	-	(31,402,803)
Operating profit (loss)	(139,631)	(227,117)	-	(1,534,406)
Assets	¥ 807,815	¥ 191,223	+ 322.4	\$ 8,877,087
<b>Consolidated</b>				
Net sales:				
Unaffiliated customers	¥ 4,094,161	¥ 4,481,346	- 8.6	\$ 44,990,780
Intersegment	-	-	-	-
Total	4,094,161	4,481,346	- 8.6	44,990,780
Operating cost and expenses	3,598,087	3,724,673	- 3.4	39,539,417
Operating profit	496,074	756,673	- 34.4	5,451,363
Assets	¥ 3,969,934	¥ 4,512,625	- 12.0	\$ 43,625,648

Notes 1. General corporate expenses of JPY190,698 million (U.S.\$2,095,582 thousand) and JPY221,979 million in the years ended December 31, 2008 and 2007, respectively, are included in "Corporate and Eliminations."

2. Corporate assets of JPY1,487,667 million (U.S.\$16,347,989 thousand) and JPY1,644,220 million as of December 31, 2008 and 2007, respectively, which mainly consist of cash and cash equivalents, short-term investments, investments and corporate properties, are included in "Corporate and Eliminations."

5. CONSOLIDATED BALANCE SHEETS

	Millions of yen			Thousands of U.S. dollars
	As of December 31, 2008	As of December 31, 2007	Change	As of December 31, 2008
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	¥ 679,196	¥ 944,463	¥ (265,267)	\$ 7,463,692
Short-term investments	7,651	20,499	(12,848)	84,077
Trade receivables, net	595,422	794,240	(198,818)	6,543,099
Inventories	506,919	563,474	(56,555)	5,570,538
Prepaid expenses and other current assets	275,660	286,111	(10,451)	3,029,231
Total current assets	2,064,848	2,608,787	(543,939)	22,690,637
Noncurrent receivables	14,752	15,239	(487)	162,110
Investments	88,825	90,086	(1,261)	976,099
Property, plant and equipment, net	1,357,186	1,364,702	(7,516)	14,914,132
Intangible assets	119,140	112,516	6,624	1,309,231
Other assets	325,183	321,295	3,888	3,573,439
Total assets	¥ 3,969,934	¥ 4,512,625	¥ (542,691)	\$ 43,625,648
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 5,540	¥ 18,317	¥ (12,777)	\$ 60,879
Trade payables	406,746	514,226	(107,480)	4,469,736
Accrued income taxes	69,961	150,726	(80,765)	768,802
Accrued expenses	277,117	357,525	(80,408)	3,045,242
Other current liabilities	184,636	215,911	(31,275)	2,028,967
Total current liabilities	944,000	1,256,705	(312,705)	10,373,626
Long-term debt, excluding current installments	8,423	8,680	(257)	92,560
Accrued pension and severance cost	110,784	44,710	66,074	1,217,407
Other noncurrent liabilities	55,745	57,324	(1,579)	612,583
Total liabilities	1,118,952	1,367,419	(248,467)	12,296,176
Minority interests	191,190	222,870	(31,680)	2,100,988
Stockholders' equity:				
Common stock	174,762	174,698	64	1,920,462
Additional paid-in capital	403,790	402,991	799	4,437,253
Legal reserve	53,706	46,017	7,689	590,176
Retained earnings	2,876,576	2,720,146	156,430	31,610,725
Accumulated other comprehensive income (loss)	(292,820)	34,670	(327,490)	(3,217,802)
Treasury stock, at cost	(556,222)	(456,186)	(100,036)	(6,112,330)
Total stockholders' equity	2,659,792	2,922,336	(262,544)	29,228,484
Total liabilities and stockholders' equity	¥ 3,969,934	¥ 4,512,625	¥ (542,691)	\$ 43,625,648

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2008	As of December 31, 2007	As of December 31, 2008
Notes:			
1. Allowance for doubtful receivables	¥ 9,318	¥ 14,547	\$ 102,396
2. Accumulated depreciation	1,635,601	1,594,374	17,973,637
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(235,968)	22,796	(2,593,055)
Net unrealized gains and losses on securities	1,135	6,287	12,473
Net gains and losses on derivative instruments	1,493	(849)	16,407
Pension liability adjustments	(59,480)	6,436	(653,627)

4. Time deposits and Marketable securities, which had been previously disclosed separately in the consolidated balance sheets, have been reclassified to Short-term investments to conform to the current year presentation.

Intangible assets, which were previously included in Other assets, have been reclassified in the consolidated balance sheets to conform to the current year presentation.

## 6. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Millions of yen

	Common Stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balance at December 31, 2006	¥ 174,603	¥ 403,510	¥ 43,600	¥ 2,368,047	¥ 2,718	¥ (5,872)	¥ 2,986,606
Cumulative effect of a change in accounting principle - adoption of EITF 06-2, net of tax				(2,204)			(2,204)
Conversion of convertible debt and other	95	(522)					(427)
Cash dividends				(131,612)			(131,612)
Transfers to legal reserve			2,417	(2,417)			-
Comprehensive income:							
Net income				488,332			488,332
Other comprehensive income (loss), net of tax							
Foreign currency translation adjustments					(62)		(62)
Net unrealized gains and losses on securities					(1,778)		(1,778)
Net gains and losses on derivative instruments					814		814
Pension liability adjustments					32,978		32,978
Total comprehensive income							520,284
Repurchase of treasury stock, net		3				(450,314)	(450,311)
<b>Balance at December 31, 2007</b>	<b>¥ 174,698</b>	<b>¥ 402,991</b>	<b>¥ 46,017</b>	<b>¥ 2,720,146</b>	<b>¥ 34,670</b>	<b>¥ (456,186)</b>	<b>¥ 2,922,336</b>
Conversion of convertible debt and other	64	824					888
Cash dividends				(145,024)			(145,024)
Transfers to legal reserve			7,689	(7,689)			-
Comprehensive income:							
Net income				309,148			309,148
Other comprehensive income (loss), net of tax							
Foreign currency translation adjustments					(258,764)		(258,764)
Net unrealized gains and losses on securities					(5,152)		(5,152)
Net gains and losses on derivative instruments					2,342		2,342
Pension liability adjustments					(65,916)		(65,916)
Total comprehensive income							(18,342)
Repurchase of treasury stock, net		(25)		(5)		(100,036)	(100,066)
<b>Balance at December 31, 2008</b>	<b>¥ 174,762</b>	<b>¥ 403,790</b>	<b>¥ 53,706</b>	<b>¥ 2,876,576</b>	<b>¥ (292,820)</b>	<b>¥ (556,222)</b>	<b>¥ 2,659,792</b>

Thousands of U.S. dollars

Balance at December 31, 2007	\$ 1,919,759	\$ 4,428,473	\$ 505,681	\$ 29,891,714	\$ 380,989	\$ (5,013,034)	\$ 32,113,582
Conversion of convertible debt and other	703	9,055					9,758
Cash dividends				(1,593,670)			(1,593,670)
Transfers to legal reserve			84,495	(84,495)			-
Comprehensive income:							
Net income				3,397,231			3,397,231
Other comprehensive income (loss), net of tax							
Foreign currency translation adjustments					(2,843,560)		(2,843,560)
Net unrealized gains and losses on securities					(56,615)		(56,615)
Net gains and losses on derivative instruments					25,736		25,736
Pension liability adjustments					(724,352)		(724,352)
Total comprehensive income							(201,560)
Repurchase of treasury stock, net		(275)		(55)		(1,099,296)	(1,099,626)
<b>Balance at December 31, 2008</b>	<b>\$ 1,920,462</b>	<b>\$ 4,437,253</b>	<b>\$ 590,176</b>	<b>\$ 31,610,725</b>	<b>\$ (3,217,802)</b>	<b>\$ (6,112,330)</b>	<b>\$ 29,228,484</b>

7. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2008
Cash flows from operating activities:			
Net income	¥ 309,148	¥ 488,332	\$ 3,397,231
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	341,337	341,694	3,750,956
Loss on disposal of property, plant and equipment	11,811	9,985	129,791
Deferred income taxes	(32,497)	(35,021)	(357,110)
(Increase) decrease in trade receivables	83,521	(10,722)	917,813
(Increase) decrease in inventories	49,547	(26,643)	544,473
Increase (decrease) in trade payables	(36,719)	21,136	(403,505)
Increase (decrease) in accrued income taxes	(77,340)	14,988	(849,890)
Increase (decrease) in accrued expenses	(30,694)	43,035	(337,297)
Decrease in accrued (prepaid) pension and severance cost	(12,128)	(15,387)	(133,275)
Other, net	10,698	7,872	117,560
Net cash provided by operating activities	616,684	839,269	6,776,747
Cash flows from investing activities:			
Purchases of fixed assets	(428,168)	(474,285)	(4,705,143)
Proceeds from sale of fixed assets	7,453	9,635	81,901
Purchases of available-for-sale securities	(7,307)	(2,281)	(80,297)
Proceeds from sale and maturity of available-for-sale securities	4,320	8,614	47,473
Proceeds from maturity of held-to-maturity securities	10,000	10,000	109,890
Decrease in time deposits	2,892	31,681	31,780
Acquisitions of subsidiaries, net of cash acquired	(5,999)	(15,675)	(65,923)
Purchases of other investments	(45,473)	(2,432)	(499,703)
Other, net	(10,198)	2,258	(112,066)
Net cash used in investing activities	(472,480)	(432,485)	(5,192,088)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	6,841	2,635	75,176
Repayments of long-term debt	(15,397)	(13,046)	(169,198)
Decrease in short-term loans	(2,643)	(358)	(29,044)
Dividends paid	(145,024)	(131,612)	(1,593,670)
Repurchases of treasury stock, net	(100,066)	(450,311)	(1,099,626)
Other, net	(21,276)	(11,691)	(233,803)
Net cash used in financing activities	(277,565)	(604,383)	(3,050,165)
Effect of exchange rate changes on cash and cash equivalents	(131,906)	(13,564)	(1,449,516)
Net decrease in cash and cash equivalents	(265,267)	(211,163)	(2,915,022)
Cash and cash equivalents at beginning of period	944,463	1,155,626	10,378,714
Cash and cash equivalents at end of period	¥ 679,196	¥ 944,463	\$ 7,463,692

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

## 1. Number of Group Companies

	December 31, 2008	December 31, 2007	Change
Subsidiaries	245	239	6
Affiliates	18	15	3
Total	263	254	9

## 2. Change in Group of Entities

## Subsidiaries

Addition: 21 Companies

Removal: 15 Companies

## Affiliates (Carried at Equity Basis)

Addition: 3 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 Stock Exchange (2nd section): Canon Machinery Inc.

JASDAQ: Tokki Corporation, Asia Pacific System Research Co.,Ltd.

Osaka Stock 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."

9. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (1) NET INCOME PER SHARE

Results for the fiscal year	Millions of yen		Thousands of U.S. dollars
	<b>Year ended December 31, 2008</b>	Year ended December 31, 2007	<b>Year ended December 31, 2008</b>
Net income:			
-Basic	¥ 309,148	¥ 488,332	\$ 3,397,231
-Diluted	309,150	488,336	3,397,253
	Number of shares		
Average common shares outstanding:			
-Basic	1,255,626,490	1,293,295,680	
-Diluted	1,255,706,419	1,293,517,431	
	Yen		U.S. dollars
Net income per share:			
-Basic	¥ 246.21	¥ 377.59	\$ 2.71
-Diluted	246.20	377.53	2.71

## (2) FINANCE RECEIVABLES AND OPERATING LEASES, ACQUISITIONS, MARKETABLE SECURITIES, DEFERRED TAX ACCOUNTING, EMPLOYEE RETIREMENT AND SEVERANCE BENEFITS, STOCK OPTIONS, DERIVATIVE CONTRACTS AND OTHERS

The disclosure is omitted as it is not considered significant in this report.

## (3) SUBSEQUENT EVENT

There is no significant subsequent event.

**10. NON-CONSOLIDATED STATEMENTS OF INCOME****( Parent company only )**

	Millions of yen		Change(%)
	Year ended December 31, 2008	Year ended December 31, 2007	
Net sales	¥ 2,721,094	¥ 2,887,912	- 5.8
Cost of sales	<b>1,801,801</b>	<b>1,793,613</b>	
Gross profit	<b>919,293</b>	1,094,299	- 16.0
Selling, general and administrative expenses	<b>560,587</b>	560,458	
Operating profit	<b>358,706</b>	533,841	- 32.8
Other income (deductions):			
Interest and dividend income	<b>14,931</b>	18,870	
Interest expense	<b>(3,844)</b>	(1,285)	
Other, net	<b>(10,707)</b>	1,417	
Ordinary profit	<b>359,086</b>	552,843	- 35.0
Non-ordinary gain(loss), net	<b>(26,084)</b>	(3,470)	
Income before income taxes	<b>333,002</b>	549,373	- 39.4
Income taxes	<b>108,867</b>	182,400	
Net income	<b>¥ 224,135</b>	<b>¥ 366,973</b>	- 38.9

**11. DETAILS OF SALES****( Parent company only )****Sales by product**

	Millions of yen		Change(%)
	Year ended December 31, 2008	Year ended December 31, 2007	
Business machines:			
<i>Office Imaging Products</i>	¥ 473,057	¥ 540,926	- 12.5
<i>Computer peripherals</i>	<b>1,245,295</b>	1,331,983	- 6.5
	<b>1,718,352</b>	1,872,909	- 8.3
Cameras	<b>808,168</b>	851,522	- 5.1
Optical and other products	<b>194,574</b>	163,481	+ 19.0
Total	<b>¥ 2,721,094</b>	<b>¥ 2,887,912</b>	- 5.8

**Sales by region**

	Millions of yen		Change(%)
	Year ended December 31, 2008	Year ended December 31, 2007	
Japan	¥ 350,094	¥ 379,055	- 7.6
Overseas:			
<i>Americas</i>	<b>883,911</b>	989,139	- 10.6
<i>Europe</i>	<b>935,449</b>	1,029,922	- 9.2
<i>Other areas</i>	<b>551,640</b>	489,796	+ 12.6
	<b>2,371,000</b>	2,508,857	- 5.5
Total	<b>¥ 2,721,094</b>	<b>¥ 2,887,912</b>	- 5.8



**12. NON-CONSOLIDATED BALANCE SHEETS****( Parent company only )**

	Millions of yen		
	As of December 31, 2008	As of December 31, 2007	Change
<b>ASSETS</b>			
Current assets:			
Cash	¥ 10,674	¥ 5,676	¥ 4,998
Trade receivables	608,047	838,322	(230,275)
Marketable securities	93,899	75,920	17,979
Inventories	221,668	226,950	(5,282)
Prepaid expenses and other current assets	204,645	209,650	(5,005)
Allowance for doubtful receivables	(1)	(8)	7
Total current assets	<u>1,138,932</u>	<u>1,356,510</u>	<u>(217,578)</u>
Fixed assets:			
Net property, plant and equipment	929,217	912,986	16,231
Intangibles	40,431	42,497	(2,066)
Investments and other fixed assets	510,476	478,960	31,516
Allowance for doubtful receivables-noncurrent	(58)	(61)	3
Total fixed assets	<u>1,480,066</u>	<u>1,434,382</u>	<u>45,684</u>
Total assets	<u>¥ 2,618,998</u>	<u>¥ 2,790,892</u>	<u>¥ (171,894)</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Trade payables	¥ 323,980	¥ 421,884	¥ (97,904)
Short-term loans	156,148	94,465	61,683
Accrued income taxes	47,825	115,668	(67,843)
Accrued warranty expenses	6,077	4,705	1,372
Accrued bonuses for employees	4,972	5,194	(222)
Accrued bonuses for directors	244	360	(116)
Other current liabilities	176,255	212,366	(36,111)
Total current liabilities	<u>715,501</u>	<u>854,642</u>	<u>(139,141)</u>
Noncurrent liabilities:			
Convertible debentures	-	128	(128)
Accrued pension and severance cost	34,456	41,713	(7,257)
Accrued directors' retirement benefits	1,576	1,368	208
Reserve for environmental provision	1,300	2,475	(1,175)
Accrued long service rewards for employees	1,160	-	1,160
Total noncurrent liabilities	<u>38,492</u>	<u>45,684</u>	<u>(7,192)</u>
Total liabilities	<u>753,993</u>	<u>900,326</u>	<u>(146,333)</u>
Net assets:			
Stockholders' equity	1,865,955	1,886,784	(20,829)
Difference of appreciation and conversion	(1,196)	3,782	(4,978)
Subscription right to shares	246	-	246
Total net assets	<u>1,865,005</u>	<u>1,890,566</u>	<u>(25,561)</u>
Total liabilities and net assets	<u>¥ 2,618,998</u>	<u>¥ 2,790,892</u>	<u>¥ (171,894)</u>

	As of December 31, 2008	As of December 31, 2007
1. Accumulated depreciation	¥ 988,205	¥ 848,039
Accumulated impairment loss	¥ 10,197	¥ 993
2. Cautionary obligation and other		
Cautionary obligation contract	¥ 19,323	¥ 22,721
3. Issuance of new stock	¥ 127	¥ 190
(Those capitalised)	¥ 64	¥ 95
Those due to conversion of convertible debentures	¥ 127	¥ 190
(Those capitalised)	¥ 64	¥ 95
4. Number of stock newly issued (Thousand shares)	127	190
Those due to conversion of convertible debentures		
(Thousand shares)	127	190

### 13. NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Parent company only)

Year ended December 31, 2008

(Millions of yen)

	Stockholders' equity										Difference of appreciation and conversion		Subscription rights to shares	Total net assets
	Common stock	Capital surplus		Legal reserve	Retained earnings				Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on securities	Net Deferred profits (losses) on hedges		
		Additional paid-in capital	Other capital surplus		Reserve for special depreciation	Reserve for deferral of capital gain on property	Other retained earnings							
							Special reserves	Retained earnings brought forward						
Balance as of December 31, 2007	¥ 174,698	¥ 306,225	¥ 25	¥ 22,114	¥ 7,694	¥ 1,255	¥ 1,249,928	¥ 581,031	¥ (456,186)	¥ 1,886,784	¥ 5,028	¥ (1,246)		¥ 1,890,566
Changes in the term														
Conversion of convertible debentures	64	63								127				127
Transfer to reserve for special depreciation					632			(632)						
Reversal of reserve for special depreciation					(3,662)			3,662						
Transfer to reserve for deferral of capital gain on property						1,396		(1,396)						
Reversal of reserve for deferral of capital gain on property						(73)		73						
Dividends from surplus								(145,024)		(145,024)				(145,024)
Net income								224,135		224,135				224,135
Purchase of treasury stock									(100,122)	(100,122)				(100,122)
Disposal of treasury stock			(25)					(5)	86	56				56
Net change of items other than stockholders' equity											(6,076)	1,098	246	(4,732)
Total changes in the term	64	63	(25)	-	(3,030)	1,323	-	80,812	(100,036)	(20,829)	(6,076)	1,098	246	(25,561)
Balance as of December 31, 2008	¥ 174,762	¥ 306,288		¥ 22,114	¥ 4,664	¥ 2,578	¥ 1,249,928	¥ 661,843	¥ (556,222)	¥ 1,865,955	¥ (1,048)	¥ (148)	¥ 246	¥ 1,865,005

1.Number of issued shares as of December 31, 2008 1,333,763,464

2.Classes and number of treasury stock

(Shares)

Classes of stock	Balance as of December 31, 2007	Increase	Decrease	Balance as of December 31, 2008
common stock	72,588,428	26,701,146	14,329	99,275,245

3.Dividends from surplus

Decision	Classes of stock	Cash dividend (Millions of yen)	Dividend per share(yen)	Base date	Effective date
March 28, 2008 Annual meeting of stockholders	common stock	75,663	60.00	December 31, 2007	March 31, 2008
July 24, 2008 Board of directors'meeting	common stock	69,361	55.00	June 30, 2008	August 26, 2008

  

Scheduled	Classes of stock	Cash dividend (Millions of yen)	A source of dividend	Dividend per share(yen)	Base date	Effective date
March 27, 2009 Annual meeting of stockholders	common stock	67,897	Retained earnings	55.00	December 31, 2008	March 30, 2009

Year ended December 31, 2007

(Millions of yen)

	Stockholders' equity										Difference of appreciation and conversion		Total net assets
	Common stock	Capital surplus		Retained earnings					Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on securities	Net Deferred profits (losses) on hedges	
		Additional paid-in capital	Other capital surplus	Legal reserve	Other retained earnings								
					Reserve for special depreciation	Reserve for deferral of capital gain on property	Special reserves	Retained earnings brought forward					
Balance as of December 31, 2006	¥ 174,603	¥ 306,130	¥ 22	¥ 22,114	¥ 12,485	¥ 1,292	¥ 1,249,928	¥ 340,843	¥ (5,872)	¥ 2,101,545	¥ 8,899	¥ (1,161)	¥ 2,109,283
Changes in the term													
Conversion of convertible debentures	95	95								190			190
Transfer to reserve for special depreciation					609			(609)					
Reversal of reserve for special depreciation					(5,400)			5,400					
Reversal of reserve for deferral of capital gain on property						(37)		37					
Dividends from surplus								(131,612)		(131,612)			(131,612)
Net income								366,973		366,973			366,973
Purchase of treasury stock									(450,346)	(450,346)			(450,346)
Disposal of treasury stock			3						32	35			35
Net change of items other than stockholders' equity											(3,871)	(85)	(3,956)
Total changes in the term	95	95	3		(4,791)	(37)		240,188	(450,314)	(214,761)	(3,871)	(85)	(218,717)
Balance as of December 31, 2007	¥ 174,698	¥ 306,225	¥ 25	¥ 22,114	¥ 7,694	¥ 1,255	¥ 1,249,928	¥ 581,031	¥ (456,186)	¥ 1,886,784	¥ 5,028	¥ (1,246)	¥ 1,890,566

1.Number of issued shares as of December 31, 2007 1,333,636,210

2.Classes and number of treasury stock

Classes of stock	(Shares)			
	Balance as of December 31, 2006	Increase	Decrease	Balance as of December 31, 2007
common stock	1,794,390	70,799,633	5,595	72,588,428

3.Dividends from surplus

Decision	Classes of stock	Cash dividend (Millions of yen)	Dividend per share(yen)	Base date	Effective date
March 29, 2007 Annual meeting of stockholders	common stock	66,583	50.00	December 31, 2006	March 30, 2007
July 26, 2007 Board of directors' meeting	common stock	65,030	50.00	June 30, 2007	August 24, 2007

**14. STANDARD FOR ALLOWANCES****( Parent company only )****Accrued long service rewards for employees**

Accrued long service rewards is maintained based on expected amounts to cover the rewards payable under the byelaw applied to long-service employee.

**15. CHANGES OF BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES****( Parent company only )****Note to change in Accounting Policy**

The Company has a byelaw for Refresh Leave to grant long service reward and refresh leave at a regular period to the employees who have been serving the Company for long years in order to refresh mind and body as well as generating new energy.

As the significance of amounts rose due to the increase in numbers of employees, and reinforcement of attendance record systems enabled to estimate the rational amounts of reward payable, the Company changed the accounting policy for long service reward from the expense of the term in which the reward was paid, to recognition of accrued long service reward based on expected amounts under the byelaw from this accounting period, in order to calculate periodical profit and loss more appropriately.

As a result, operating profit, ordinary profit and income before income taxes have decreased by JPY 1,160million, and net income has decreased by JPY 696 million for the accounting period ended December 31, 2008.

## Directors

(Current titles are shown in the parentheses)

(1) Candidate for new Director

Executive Vice President &CTO	Toshiaki Ikoma	(Advisor, Group Executive of Corporate R & D Headquarters)
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(2) Candidates for Directors to be promoted

Senior Managing Director	Yoroku Adachi	(Managing Director, President & CEO of Canon U.S.A., Inc.)
Senior Managing Director	Yasuo Mitsuhashi	(Managing Director, Chief Executive of Peripheral Products Operations)

(3) Director to be retired

Advisor to be appointed	Shunichi Uzawa	(Director)
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## Executive Officers

(1) Candidates for new Executive Officers

Seymour Liebman	Executive Vice President of Canon U.S.A., Inc.
Masato Okada	Deputy Chief Executive of Image Communication Products Operations
Kazuhiro Akiyama	Deputy Group Executive of General Affairs Headquarters

## CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE FISCAL YEAR ENDED DECEMBER 31, 2008

### SUPPLEMENTARY REPORT

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This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "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 REGION AND PRODUCT (2008)**

(Millions of yen)

	2008		2007		Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
<b>Japan</b>						
Business machines	159,133	607,015	186,527	636,534	-14.7%	-4.6%
Office imaging products	88,973	370,901	105,504	384,546	-15.7%	-3.5%
Computer peripherals	59,431	184,945	63,169	186,214	-5.9%	-0.7%
Business information products	10,729	51,169	17,854	65,774	-39.9%	-22.2%
Cameras	36,104	136,791	40,239	149,892	-10.3%	-8.7%
Optical and other products	29,473	124,474	43,854	161,161	-32.8%	-22.8%
Total	224,710	868,280	270,620	947,587	-17.0%	-8.4%
<b>Overseas</b>						
Business machines	460,890	2,053,004	616,648	2,299,008	-25.3%	-10.7%
Office imaging products	161,635	748,622	247,141	906,242	-34.6%	-17.4%
Computer peripherals	291,527	1,269,823	357,693	1,351,297	-18.5%	-6.0%
Business information products	7,728	34,559	11,814	41,469	-34.6%	-16.7%
Cameras	226,658	905,156	324,863	1,002,771	-30.2%	-9.7%
Optical and other products	82,482	267,721	51,668	231,980	+59.6%	+15.4%
Total	770,030	3,225,881	993,179	3,533,759	-22.5%	-8.7%
<b>Americas</b>						
Business machines	172,714	759,864	226,063	888,189	-23.6%	-14.4%
Office imaging products	62,617	287,319	96,735	373,093	-35.3%	-23.0%
Computer peripherals	107,310	457,816	124,368	495,676	-13.7%	-7.6%
Business information products	2,787	14,729	4,960	19,420	-43.8%	-24.2%
Cameras	96,656	339,141	140,465	390,768	-31.2%	-13.2%
Optical and other products	13,632	55,566	13,886	57,211	-1.8%	-2.9%
Total	283,002	1,154,571	380,414	1,336,168	-25.6%	-13.6%
<b>Europe</b>						
Business machines	217,937	964,782	299,139	1,067,998	-27.1%	-9.7%
Office imaging products	79,107	364,288	122,303	423,925	-35.3%	-14.1%
Computer peripherals	134,603	584,247	171,114	626,236	-21.3%	-6.7%
Business information products	4,227	16,247	5,722	17,837	-26.1%	-8.9%
Cameras	78,209	333,069	126,689	388,651	-38.3%	-14.3%
Optical and other products	11,975	43,549	12,161	42,637	-1.5%	+2.1%
Total	308,121	1,341,400	437,989	1,499,286	-29.7%	-10.5%
<b>Other areas</b>						
Business machines	70,239	328,358	91,446	342,821	-23.2%	-4.2%
Office imaging products	19,911	97,015	28,103	109,224	-29.1%	-11.2%
Computer peripherals	49,614	227,760	62,211	229,385	-20.2%	-0.7%
Business information products	714	3,583	1,132	4,212	-36.9%	-14.9%
Cameras	51,793	232,946	57,709	223,352	-10.3%	+4.3%
Optical and other products	56,875	168,606	25,621	132,132	+122.0%	+27.6%
Total	178,907	729,910	174,776	698,305	+2.4%	+4.5%
<b>Total</b>						
Business machines	620,023	2,660,019	803,175	2,935,542	-22.8%	-9.4%
Office imaging products	250,608	1,119,523	352,645	1,290,788	-28.9%	-13.3%
Computer peripherals	350,958	1,454,768	420,862	1,537,511	-16.6%	-5.4%
Business information products	18,457	85,728	29,668	107,243	-37.8%	-20.1%
Cameras	262,762	1,041,947	365,102	1,152,663	-28.0%	-9.6%
Optical and other products	111,955	392,195	95,522	393,141	+17.2%	-0.2%
Total	994,740	4,094,161	1,263,799	4,481,346	-21.3%	-8.6%

**2. SALES BY REGION AND PRODUCT (2009/Projection)****(1) Sales by product**

(Millions of yen)

	2009 (P)	2008	Change year over year
	Year	Year	Year
Business machines	2,294,900	2,660,019	-13.7%
Office imaging products	982,700	1,119,523	-12.2%
Computer peripherals	1,229,300	1,454,768	-15.5%
Business information products	82,900	85,728	-3.3%
Cameras	858,400	1,041,947	-17.6%
Optical and other products	346,700	392,195	-11.6%
Total	3,500,000	4,094,161	-14.5%

(P)=Projection

**(2) Sales by region**

(Millions of yen)

	2009 (P)	2008	Change year over year
	Year	Year	Year
Japan	853,900	868,280	-1.7%
Overseas	2,646,100	3,225,881	-18.0%
Americas	932,600	1,154,571	-19.2%
Europe	1,089,300	1,341,400	-18.8%
Other areas	624,200	729,910	-14.5%
Total	3,500,000	4,094,161	-14.5%

(P)=Projection



**3. SEGMENT INFORMATION BY PRODUCT (2008)**

(Millions of yen)

	2008		2007		Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
<b>Business machines</b>						
Unaffiliated customers	620,023	2,660,019	803,175	2,935,542	-22.8%	-9.4%
Intersegment	-	-	-	-	-	-
Total sales	620,023	2,660,019	803,175	2,935,542	-22.8%	-9.4%
Operating profit	107,586	544,644	162,419	650,261	-33.8%	-16.2%
% of sales	17.4%	20.5%	20.2%	22.2%	-	-
<b>Cameras</b>						
Unaffiliated customers	262,762	1,041,947	365,102	1,152,663	-28.0%	-9.6%
Intersegment	-	-	-	-	-	-
Total sales	262,762	1,041,947	365,102	1,152,663	-28.0%	-9.6%
Operating profit	30,114	187,787	93,267	307,426	-67.7%	-38.9%
% of sales	11.5%	18.0%	25.5%	26.7%	-	-
<b>Optical and other products</b>						
Unaffiliated customers	111,955	392,195	95,522	393,141	+17.2%	-0.2%
Intersegment	52,326	235,690	65,381	238,659	-20.0%	-1.2%
Total sales	164,281	627,885	160,903	631,800	+2.1%	-0.6%
Operating profit	(54,461)	(45,490)	(2,655)	21,080	-	-
% of sales	-33.2%	-7.2%	-1.7%	3.3%	-	-
<b>Corporate and Eliminations</b>						
Unaffiliated customers	-	-	-	-	-	-
Intersegment	(52,326)	(235,690)	(65,381)	(238,659)	-	-
Total sales	(52,326)	(235,690)	(65,381)	(238,659)	-	-
Operating profit	(47,414)	(190,867)	(59,455)	(222,094)	-	-
<b>Consolidated</b>						
Unaffiliated customers	994,740	4,094,161	1,263,799	4,481,346	-21.3%	-8.6%
Intersegment	-	-	-	-	-	-
Total sales	994,740	4,094,161	1,263,799	4,481,346	-21.3%	-8.6%
Operating profit	35,825	496,074	193,576	756,673	-81.5%	-34.4%
% of sales	3.6%	12.1%	15.3%	16.9%	-	-

**4. OTHER INCOME / DEDUCTIONS (2008)**

(Millions of yen)

	2008		2007		Change year over year	
	4th quarter	Year	4th quarter	Year	4th quarter	Year
Interest and dividend, net	3,685	18,605	6,993	31,348	(3,308)	(12,743)
Forex gain / loss	2,932	(11,212)	(1,035)	(31,943)	+3,967	+20,731
Equity earnings / loss of affiliated companies	(18,485)	(20,047)	149	5,634	(18,634)	(25,681)
Other, net	(7,044)	(2,273)	237	6,676	(7,281)	(8,949)
Total	(18,912)	(14,927)	6,344	11,715	(25,256)	(26,642)

**5. SEGMENT INFORMATION BY PRODUCT (2009/Projection)**

(Millions of yen)

	2009 (P)	2008	Change year over year
	Year	Year	Year
<b>Business machines</b>			
Unaffiliated customers	2,294,900	2,660,019	-13.7%
Intersegment	-	-	-
Total sales	2,294,900	2,660,019	-13.7%
Operating profit	301,900	544,644	-44.6%
% of sales	13.2%	20.5%	-
<b>Cameras</b>			
Unaffiliated customers	858,400	1,041,947	-17.6%
Intersegment	-	-	-
Total sales	858,400	1,041,947	-17.6%
Operating profit	44,000	187,787	-76.6%
% of sales	5.1%	18.0%	-
<b>Optical and other products</b>			
Unaffiliated customers	346,700	392,195	-11.6%
Intersegment	211,300	235,690	-10.3%
Total sales	558,000	627,885	-11.1%
Operating profit	(5,900)	(45,490)	-
% of sales	-1.1%	-7.2%	-
<b>Corporate and Eliminations</b>			
Unaffiliated customers	-	-	-
Intersegment	(211,300)	(235,690)	-
Total sales	(211,300)	(235,690)	-
Operating profit	(180,000)	(190,867)	-
<b>Consolidated</b>			
Unaffiliated customers	3,500,000	4,094,161	-14.5%
Intersegment	-	-	-
Total sales	3,500,000	4,094,161	-14.5%
Operating profit	160,000	496,074	-67.7%
% of sales	4.6%	12.1%	-

(P)=Projection

**6. OTHER INCOME / DEDUCTIONS (2009/Projection)**

(Millions of yen)

	2009 (P)	2008	Change year over year
	Year	Year	Year
Interest and dividend, net	6,300	18,605	(12,305)
Forex gain / loss	(11,900)	(11,212)	(688)
Equity earnings / loss of affiliated companies	(5,800)	(20,047)	+14,247
Other, net	11,400	(2,273)	+13,673
Total	0	(14,927)	+14,927

(P)=Projection

**7. SALES COMPOSITION BY PRODUCT**

	2009 (P)	2008		2007	
	Year	4th quarter	Year	4th quarter	Year
<b>Office imaging products</b>					
Monochrome copying machines	42%	40%	41%	43%	45%
Color copying machines	35%	38%	37%	36%	35%
Others	23%	22%	22%	21%	20%
<b>Computer peripherals</b>					
Laser beam printers	71%	69%	73%	69%	73%
Inkjet printers	28%	30%	26%	30%	26%
Others	1%	1%	1%	1%	1%
<b>Business information products</b>					
Personal computers	64%	61%	60%	62%	62%
Others	36%	39%	40%	38%	38%
<b>Cameras</b>					
Digital cameras	78%	77%	75%	77%	76%
Video cameras	9%	8%	9%	8%	8%
Interchangeable lenses and others	13%	15%	16%	15%	16%
<b>Optical and other products</b>					
Semiconductor production equipment	38%	52%	46%	43%	46%
Others	62%	48%	54%	57%	54%

(P)=Projection

\* From fiscal 2007, figures related to analog personal copying machines, which were included in "Monochrome copying machines" of "Office imaging products" were included in "Others" of "Office imaging products." Past figures have been reclassified to conform with the current presentation.

\*From fiscal 2007, the segment previously named "Film cameras / Lenses" was changed to "Interchangeable lenses and others."

**8. SALES GROWTH IN LOCAL CURRENCY**

	2009 (P)	2008	
	Year	4th quarter	Year
<b>Business machines</b>			
Japan	-	-14.7%	-4.6%
Overseas	-	-8.7%	-0.7%
Total	-1.5%	-10.1%	-1.6%
<b>Cameras</b>			
Japan	-	-10.3%	-8.7%
Overseas	-	-14.8%	+0.2%
Total	-4.1%	-14.3%	-1.0%
<b>Optical and other products</b>			
Japan	-	-32.8%	-22.8%
Overseas	-	+77.4%	+22.7%
Total	-6.7%	+26.8%	+4.0%
<b>Total</b>			
Japan	-1.7%	-17.0%	-8.4%
Overseas	-3.0%	-6.2%	+1.1%
Americas	-7.5%	-12.9%	-1.6%
Europe	+0.4%	-10.8%	-3.4%
Other areas	-2.0%	+19.8%	+15.7%
Total	-2.7%	-8.5%	-0.9%

(P)=Projection

**9. PROFITABILITY**

	2009 (P)	2008	2007
	Year	Year	Year
ROE	3.7%	11.1%	16.5%
ROA	2.5%	7.3%	10.8%

(P)=Projection

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

(Yen)

	2009 (P)	2008		2007	
	Year	4th quarter	Year	4th quarter	Year
Yen/US\$	90.00	96.22	103.23	113.19	117.50
Yen/Euro	120.00	126.46	151.46	163.86	161.41

(P)=Projection

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

(Billions of yen)

	2009 (P)	2008	
	Year	4th quarter	Year
US\$	(169.4)	(69.5)	(218.7)
Euro	(204.7)	(68.7)	(66.4)
Other currencies	(28.7)	(11.8)	(14.4)
Total	(402.8)	(150.0)	(299.5)

(P)=Projection

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

(Billions of yen)

	2009 (P)
	Year
On sales	
US\$	16.5
Euro	6.9
On operating profit	
US\$	9.1
Euro	5.0

(P)=Projection

**11. STATEMENTS OF CASH FLOWS**

(Millions of yen)

	2009 (P)	2008		2007	
	Year	4th quarter	Year	4th quarter	Year
Net cash provided by operating activities					
Net income	98,000	11,622	309,148	127,845	488,332
Depreciation and amortization	350,000	88,426	341,337	106,248	341,694
Other, net	(3,000)	81,201	(33,801)	42,547	9,243
Total	445,000	181,249	616,684	276,640	839,269
Net cash used in investing activities	(345,000)	(86,857)	(472,480)	(91,525)	(432,485)
Free cash flow	100,000	94,392	144,204	185,115	406,784
Net cash used in financing activities	(144,000)	(85,592)	(277,565)	(1,718)	(604,383)
Effect of exchange rate changes on cash and cash equivalents	(25,200)	(66,923)	(131,906)	(5,241)	(13,564)
Net change in cash and cash equivalents	(69,200)	(58,123)	(265,267)	178,156	(211,163)
Cash and cash equivalents at end of period	610,000	679,196	679,196	944,463	944,463

(P)=Projection

**12. R&D EXPENDITURE**

(Millions of yen)

	2009 (P)	2008	2007
	Year	Year	Year
Business machines	-	123,531	122,570
Cameras	-	45,458	44,304
Optical and other products	-	205,036	201,387
Total	350,000	374,025	368,261
% of sales	10.0%	9.1%	8.2%

(P)=Projection

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

(Millions of yen)

	2009 (P)	2008	2007
	Year	Year	Year
<b>Increase in PP&amp;E</b>			
Business machines	-	172,197	166,143
Cameras	-	43,086	32,870
Optical and other products	-	68,542	78,449
Corporate and eliminations	-	78,163	151,087
Total	315,000	361,988	428,549
<b>Depreciation and amortization</b>			
Business machines	-	163,920	159,309
Cameras	-	39,412	37,180
Optical and other products	-	88,017	69,843
Corporate and eliminations	-	49,988	75,362
Total	350,000	341,337	341,694

(P)=Projection

**14. INVENTORIES****(1) Inventories**

(Millions of yen)

	2008	2007	Difference
	Dec.31	Dec.31	
Business machines	234,958	277,444	(42,486)
Cameras	115,852	107,406	+8,446
Optical and other products	156,109	178,624	(22,515)
Total	506,919	563,474	(56,555)

**(2) Inventories/Sales\***

(Days)

	2008	2007	Difference
	Dec.31	Dec.31	
Business machines	34	34	0
Cameras	41	31	+10
Optical and other products	144	169	(25)
Total	47	44	+3

\*Index based on the previous six months sales.

**15. DEBT RATIO**

	2008	2007	Difference
	Dec.31	Dec.31	
Total debt / Total assets	0.4%	0.6%	-0.2%

**16. OVERSEAS PRODUCTION RATIO**

	2008	2007
	Year	Year
Overseas production ratio	39%	40%

**17. NUMBER OF EMPLOYEES**

	2008	2007	Difference
	Dec.31	Dec.31	
Japan	72,445	55,227	+17,218
Overseas	94,535	76,125	+18,410
Total	166,980	131,352	+35,628