

CANON INC
Form 6-K
July 26, 2011

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 **July** **2011** .. ,

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 . **July 25, 2011** .

By /s/ Masashiro Kobayashi
(Signature)*

Masashiro Kobayashi
Deputy Senior General Manager
Global Finance Accounting 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 SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2011

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2011

July 25, 2011

CONSOLIDATED RESULTS FOR THE SECOND QUARTER

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

| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Actual | | Three months ended June 30, 2011 |
|---|---|---|-----------|------|--|
| | | | Change(%) | | |
| Net sales | ¥ 836,574 | ¥ 970,358 | - | 13.8 | \$ 10,328,074 |
| Operating profit | 78,411 | 113,438 | - | 30.9 | 968,037 |
| Income before income taxes | 81,627 | 112,651 | - | 27.5 | 1,007,741 |
| Net income attributable to Canon Inc. | ¥ 53,861 | ¥ 67,638 | - | 20.4 | \$ 664,951 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | |
| - Basic | ¥ 43.99 | ¥ 54.67 | - | 19.5 | \$ 0.54 |
| - Diluted | 43.99 | 54.66 | - | 19.5 | 0.54 |

CONSOLIDATED RESULTS FOR THE FIRST HALF

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

| | Six months ended June 30, 2011 | Six months ended June 30, 2010 | Actual | | Six months ended June 30, 2011 | Projected | |
|---|--------------------------------------|--------------------------------------|-----------|------|--------------------------------------|-------------------------------------|-----------|
| | | | Change(%) | | | Year ending December 31, 2011 | Change(%) |
| Net sales | ¥ 1,675,765 | ¥ 1,725,884 | - | 2.9 | \$ 20,688,457 | ¥ 3,780,000 | + 2.0 |
| Operating profit | 160,913 | 200,281 | - | 19.7 | 1,986,580 | 380,000 | - 1.9 |
| Income before income taxes | 163,659 | 201,503 | - | 18.8 | 2,020,481 | 380,000 | - 3.3 |
| Net income attributable to Canon Inc. | ¥ 109,323 | ¥ 124,449 | - | 12.2 | \$ 1,349,667 | ¥ 260,000 | + 5.4 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | | | |
| - Basic | ¥ 89.16 | ¥ 100.68 | - | 11.4 | \$ 1.10 | ¥ 213.89 | + 7.1 |
| - Diluted | 89.16 | 100.68 | - | 11.4 | 1.10 | - | - |

| As of June 30, 2011 | Actual As of December 31, 2010 | Change(%) | As of June 30, 2011 |
|------------------------|--------------------------------------|-----------|------------------------|
| | | | |

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| | | | | | | |
|---------------------------------------|--------------------|---|-----------|---|-----|----------------------|
| Total assets | ¥ 3,994,744 | ¥ | 3,983,820 | + | 0.3 | \$ 49,317,827 |
| Canon Inc. stockholders equity | ¥ 2,645,115 | ¥ | 2,645,782 | - | 0.0 | \$ 32,655,741 |

- 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 JPY81=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2011, solely for the convenience of the reader.

Canon Inc.
Headquarter office

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Tokyo 146-8501, Japan
Phone: +81-3-3758-2111

I. Operating Results and Financial Conditions

2011 Second Quarter in Review

Looking back at the global economy in the second quarter of 2011, the United States saw a temporary slowdown due to supply chain disruptions triggered by the earthquake that struck northeastern Japan coupled with surges in fuel and food prices, while in Europe, trends continued to vary by country. In Japan, although the economy decelerated in the wake of the Great East Japan Earthquake mainly due to a drop in production activities, the economies of China and India continued to achieve solid growth fueled by stable domestic demand, leading to a continued moderate recovery of the global economy.

As for the markets in which Canon operates amid these conditions, within the office equipment market, while demand for network digital multifunction devices (MFDs) in the Japanese market declined due to the adverse effects of the earthquake, overseas markets continued to realize a moderate recovery. The laser printer market continued to display solid growth boosted by emerging economies. With regard to the consumer products market, demand for compact digital cameras grew steadily, mainly in emerging markets, while the market for digital single-lens reflex (SLR) cameras continued to realize robust growth in all regions with the exception of Japan. Overall demand for inkjet printers remained at around the same level as the previous year. In the industry and others sector, while active investment by chip manufacturers fueled growth in sales of semiconductor lithography equipment, demand for liquid crystal display (LCD) lithography equipment marked a significant decline largely due to decreases in investment following the large-scale outlays made in the previous year and a drop in LCD panel prices. Some of these markets incurred temporary product-supply shortages due to the impact of lower production in the aftermath of the Great East Japan Earthquake.

Despite the direct impact the earthquake had on Canon, including damage to buildings and production facilities, along with the significant effects of decreased production triggered by supply shortages of components, Canon swiftly launched recovery and restoration measures, realizing a recovery in parts procurement and rebuilding production systems ahead of initial forecasts, effectively minimizing the impact on Canon's operating results and financial position.

The average values of the yen during the second quarter and first half of the year were ¥81.58 and ¥81.92 to the U.S. dollar, respectively, year-on-year appreciations of approximately ¥10 and ¥9, and ¥117.28 and ¥114.95 to the euro, respectively, a year-on-year depreciation of approximately ¥1 and appreciation of approximately ¥5.

Net sales for the second quarter totaled ¥836.6 billion (U.S.\$10,328 million), a decrease of 13.8% from the year-ago period, largely due to such factors as the appreciation of the yen against the U.S. dollar and a shift in market demand toward more competitively priced products, along with reduction in sales resulting from the significant impact on production of compact digital cameras and digital network MFDs caused by supply shortages of components following the earthquake, and decreased sales of LCD lithography equipment as an outcome of the sluggish market. Net sales for the six months ended June 30, 2011 totaled ¥1,675.8 billion (U.S.\$20,688 million), a year-on-year decrease of 2.9%, reflecting the effects of new consolidation arising from the acquisition of Océ N.V. in the previous year. Despite the appreciation of the yen against the U.S. dollar and decreased production turnover resulting from the earthquake, the gross profit ratio for the second quarter improved by 1.0 points overall from the year-ago period, reaching 50.0% thanks to ongoing cost-cutting efforts. The gross profit ratio for the first half of the year rose 0.3 points to 49.2%. Gross profit for the second quarter totaled ¥418.5 billion (U.S.\$5,167 million), a year-on-year decrease of 12.0%, and totaled ¥824.7 billion (U.S.\$10,182 million) for the first six months, a year-on-year decline of 2.3%. Operating expenses decreased by ¥21.8 billion (U.S.\$269 million) for the quarter owing to Group-wide efforts to thoroughly reduce spending. For the six months ended June 30, 2011, however, the amount increased by ¥20.2 billion (U.S.\$249 million), mainly stemming from the new consolidation. Consequently, second-quarter operating profit decreased by 30.9% to ¥78.4 billion (U.S.\$968 million) while operating profit for the first half of the year decreased by 19.7% to ¥160.9 billion (U.S.\$1,987 million). Other income (deductions) achieved a turnaround of ¥4.0 billion (U.S.\$49 million), while income before income taxes for the second quarter totaled ¥81.6 billion (U.S.\$1,008 million), a drop of 27.5% from the year-ago period, and ¥163.7 billion (U.S.\$2,020 million) for the first half, a decline of 18.8% year on year. Net income attributable to Canon Inc. decreased by 20.4% to ¥53.9 billion (U.S.\$665 million) for the quarter and declined 12.2% to ¥109.3 billion (U.S.\$1,350 million) for the first six months of the year.

Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥43.99 (U.S.\$0.54), a decrease of ¥10.68 (U.S.\$0.13) compared with the corresponding quarter of the previous year, and ¥89.16 (U.S.\$1.10) for the first half of 2011, a year-on-year decrease of ¥11.52 (U.S.\$0.14).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, despite the admirable sales performance of imageRUNNER ADVANCE-series products, sales volume of digital network MFDs decreased from the year-ago period due to the impact on production arising from parts-supply shortages following the earthquake. As for laser printers, buoyed by hearty demand, sales volume remained in line with that from the corresponding period of the previous year thanks to efforts targeting an early recovery in production and expanded sales. Consequently, second-quarter sales for the segment totaled ¥465.8 billion (U.S.\$5,751 million), a drop of 10.8% year on year, reflecting the appreciation of the yen against the U.S. dollar. Likewise, operating profit for the quarter decreased by 28.6% to ¥59.8 billion (U.S.\$739 million) due to the decline in gross profit accompanying reduced sales. Sales for the combined first six months of the year totaled ¥946.7 billion (U.S.\$11,687 million), growing 1.7% year on year owing to the impact of the new consolidation in the previous year, while operating profit decreased by 21.2% to ¥122.9 billion (U.S.\$1,517 million).

Within the Consumer Business Unit, demand for digital SLR cameras continued to display solid growth. Amid the effects of parts-supply shortages, efforts to swiftly recover production levels and boost sales of such products as the competitively priced EOS Digital Rebel-series models and the advanced-amateur-model EOS 60D, resulted in sales volume comparable to that from the corresponding year-ago period. As for compact digital cameras, despite the launch of ten new ELPH (IXUS)-series and PowerShot-series models in the first quarter, unit sales decreased from the previous year, reflecting the significant impact of parts-supply shortages. With regard to inkjet printers, although sales in emerging markets displayed solid growth, unit sales overall recorded only a slight increase as a result of price competition among market players, mainly in Europe. Accordingly, second-quarter sales for the Consumer Business Unit declined by 17.0% year on year to ¥302.2 billion (U.S.\$3,731 million), affected by the appreciation of the yen against the U.S. dollar along with the shift in demand toward lower priced products. Quarterly operating profit decreased by 32.3% to ¥45.3 billion (U.S.\$559 million), reflecting the decrease in gross profit accompanying the reduction in sales. Sales for the first six months totaled ¥591.8 billion (U.S.\$7,307 million), a decline of 9.5% year on year, while operating profit totaled ¥85.2 billion (U.S.\$1,052 million), a decrease of 25.4% year on year.

In the Industry and Others Business Unit, while semiconductor lithography equipment recorded robust unit sales in response to the rapid restoration of production facilities amid growing demand, unit sales of LCD lithography equipment dropped substantially in the face of shrinking demand for equipment to produce large-size panels which Canon boasts strong performance. Consequently, second-quarter sales for the segment decreased by 16.2% to ¥91.3 billion (U.S.\$1,127 million) while operating profit totaled ¥4.8 billion (U.S.\$60 million), a turnaround of ¥10.3 billion (U.S.\$127 million) through the improved gross profit ratio along with efforts to curb expenses. Sales for the first half of the year totaled ¥183.0 billion (U.S.\$2,260 million), a drop of 4.3% year on year, while operating profit was ¥11.4 billion (U.S.\$141 million), a turnaround of ¥19.8 billion (U.S.\$245 million) from the year-ago period.

Cash Flow

During the first half of 2011, cash flow from operating activities totaled ¥190.8 billion (U.S.\$2,356 million), a decrease of ¥157.8 billion (U.S.\$1,948 million) compared with the year-ago period, as a result of decreased sales and profit triggered by the Great East Japan Earthquake. Due to ongoing capital investment focused on higher priority items and corporate acquisition activities from the year-ago period, cash flow from investing activities decreased ¥103.7 billion (U.S.\$1,280 million) year on year, totaling ¥73.3 billion (U.S.\$905 million). Accordingly, free cash flow totaled ¥117.5 billion (U.S.\$1,451 million), a decrease of ¥54.1 billion (U.S.\$668 million) from the previous year.

Cash flow from financing activities recorded an outlay of ¥126.4 billion (U.S.\$1,561 million), mainly arising from the dividend payout and repurchases of treasury stock. Owing to these factors, as well as the positive impact from foreign currency translation adjustments, cash and cash equivalents increased by ¥8.0 billion (U.S.\$99 million) year on year to ¥848.6 billion (U.S.\$10,477 million).

Outlook

As for the outlook in the third quarter onward, despite increasing downward risks, the trend of moderate recovery is expected to continue. Although concerns continue for the high unemployment in the United States and the debt crises in Europe are still yet to be resolved, these economies are expected to continue to gradually improve, while such emerging economies as China and India are expected to continue realizing healthy growth. In contrast, the Japanese economy is expected to take considerable time to recover from the effects of the earthquake.

In the businesses in which Canon is involved, within the office equipment market, demand for such products as network digital MFDs and laser printers is projected to grow steadily, particularly in emerging economies. As for the consumer products market, demand for digital SLR cameras is expected to achieve robust growth while demand for compact digital cameras and inkjet printers should grow steadily. In the industry and others market, while demand for semiconductor lithography equipment will likely increase steadily for the time being, demand for LCD lithography equipment is expected to decline compared with the year-ago period.

With regard to currency exchange rates for the third quarter onward, on which Canon's performance outlook is based, despite the uncertain prospects of such factors as the sovereign debt crises in Europe and the future interest rate policies and economic forecasts of major countries, Canon anticipates exchange rates for the period of ¥80 to the U.S. dollar and ¥115 to the euro, representing an appreciation of approximately ¥7 against the U.S. dollar and the same approximate level against the euro compared with the annual average rates of the previous year.

Although uncertainty remains over such factors as electricity shortages, upon taking into consideration the abovementioned foreign exchange rate assumptions, current economic forecasts and an expected second-half boost in sales supported by the swift recovery of production, Canon projects full-year consolidated net sales of ¥3,780.0 billion (U.S.\$46,667 million), a year-on-year increase of 2.0%; operating profit of ¥380.0 billion (U.S.\$4,691 million), a year-on-year decrease of 1.9%; income before income taxes of ¥380.0 billion (U.S.\$4,691 million), a year-on-year decrease of 3.3%; and net income attributable to Canon Inc. of ¥260.0 billion (U.S.\$3,210 million), a year-on-year increase of 5.4%.

Consolidated Outlook

| Fiscal year | Millions of yen | | | | |
|---------------------------------------|----------------------------------|---------------------|-------------------|--|------------------------------|
| | Year ending December 31, 2011 | | Change (B - A) | Year ended December 31, 2010 Results (C) | Change (%) (B - C) / C |
| | Previous Outlook (A) | Revised Outlook (B) | | | |
| Net sales | ¥ 3,730,000 | ¥ 3,780,000 | ¥ 50,000 | ¥ 3,706,901 | +2.0% |
| Operating profit | 335,000 | 380,000 | 45,000 | 387,552 | -1.9% |
| Income before income taxes | 330,000 | 380,000 | 50,000 | 392,863 | -3.3% |
| Net income attributable to Canon Inc. | ¥ 220,000 | ¥ 260,000 | ¥ 40,000 | ¥ 246,603 | +5.4% |

Basic Policy Regarding Profit Distribution

Canon is being more proactive in returning profits to shareholders, mainly in the form of a dividend, taking into consideration medium-term profit forecasts along with planned future investments, cash flow and other factors.

Canon Inc. plans to distribute an interim dividend of ¥60.00 (U.S.\$0.74) per share for the first half of fiscal 2011, half the amount of the annual dividend paid out in fiscal 2010, to provide a stable return to shareholders. The year-end dividend, however, has yet to be decided.

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

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

| | As of June 30, 2011 | Millions of yen As of December 31, 2010 | Change | Thousands of U.S. dollars As of June 30, 2011 |
|--|---------------------------|--|-----------------|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 848,619 | ¥ 840,579 | ¥ 8,040 | \$ 10,476,778 |
| Short-term investments | 78,248 | 96,815 | (18,567) | 966,025 |
| Trade receivables, net | 492,157 | 557,504 | (65,347) | 6,076,012 |
| Inventories | 478,719 | 384,777 | 93,942 | 5,910,111 |
| Prepaid expenses and other current assets | 257,671 | 250,754 | 6,917 | 3,181,123 |
| Total current assets | 2,155,414 | 2,130,429 | 24,985 | 26,610,049 |
| Noncurrent receivables | 16,531 | 16,771 | (240) | 204,086 |
| Investments | 61,833 | 81,529 | (19,696) | 763,370 |
| Property, plant and equipment, net | 1,204,153 | 1,201,968 | 2,185 | 14,866,086 |
| Intangible assets, net | 150,404 | 153,021 | (2,617) | 1,856,840 |
| Other assets | 406,409 | 400,102 | 6,307 | 5,017,396 |
| Total assets | ¥ 3,994,744 | ¥ 3,983,820 | ¥ 10,924 | \$ 49,317,827 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 12,360 | ¥ 7,200 | ¥ 5,160 | \$ 152,593 |
| Trade payables | 392,809 | 383,251 | 9,558 | 4,849,494 |
| Accrued income taxes | 58,391 | 72,482 | (14,091) | 720,877 |
| Accrued expenses | 274,584 | 299,710 | (25,126) | 3,389,926 |
| Other current liabilities | 161,993 | 134,298 | 27,695 | 1,999,912 |
| Total current liabilities | 900,137 | 896,941 | 3,196 | 11,112,802 |
| Long-term debt, excluding current installments | 5,572 | 4,131 | 1,441 | 68,790 |
| Accrued pension and severance cost | 200,468 | 197,609 | 2,859 | 2,474,914 |
| Other noncurrent liabilities | 77,837 | 75,502 | 2,335 | 960,951 |
| Total liabilities | 1,184,014 | 1,174,183 | 9,831 | 14,617,457 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 2,157,556 |
| Additional paid-in capital | 401,234 | 400,425 | 809 | 4,953,506 |
| Legal reserve | 57,851 | 57,930 | (79) | 714,210 |
| Retained earnings | 2,994,227 | 2,965,237 | 28,990 | 36,965,765 |
| Accumulated other comprehensive income (loss) | (371,103) | (390,459) | 19,356 | (4,581,519) |
| Treasury stock, at cost | (611,856) | (562,113) | (49,743) | (7,553,777) |

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|--------------------------------------|--------------------|-------------|----------|----------------------|
| Total Canon Inc. stockholders equity | 2,645,115 | 2,645,782 | (667) | 32,655,741 |
| Noncontrolling interests | 165,615 | 163,855 | 1,760 | 2,044,629 |
| Total equity | 2,810,730 | 2,809,637 | 1,093 | 34,700,370 |
| Total liabilities and equity | ¥ 3,994,744 | ¥ 3,983,820 | ¥ 10,924 | \$ 49,317,827 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------------------------|-------------------------------|-----------------------------------|
| | As of June 30, 2011 | As of December 31, 2010 | As of June 30, 2011 |
| Notes: | | | |
| 1. Allowance for doubtful receivables | ¥ 14,452 | ¥ 14,920 | \$ 178,420 |
| 2. Accumulated depreciation | 2,016,701 | 1,909,703 | 24,897,543 |
| 3. Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (305,345) | (325,612) | (3,769,691) |
| Net unrealized gains and losses on securities | 1,773 | 3,020 | 21,889 |
| Net gains and losses on derivative instruments | 463 | 917 | 5,716 |
| Pension liability adjustments | (67,994) | (68,784) | (839,433) |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME

| | Millions of yen | | | Thousands of |
|---|---|---|-----------|---|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Change(%) | U.S. dollars |
| Results for the second quarter | | | | Three months ended June 30, 2011 |
| Net sales | ¥ 836,574 | ¥ 970,358 | - 13.8 | \$ 10,328,074 |
| Cost of sales | 418,075 | 494,995 | | 5,161,420 |
| Gross profit | 418,499 | 475,363 | - 12.0 | 5,166,654 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 264,009 | 280,033 | | 3,259,370 |
| Research and development expenses | 76,079 | 81,892 | | 939,247 |
| | 340,088 | 361,925 | | 4,198,617 |
| Operating profit | 78,411 | 113,438 | - 30.9 | 968,037 |
| Other income (deductions): | | | | |
| Interest and dividend income | 2,124 | 1,722 | | 26,222 |
| Interest expense | (234) | (867) | | (2,889) |
| Other, net | 1,326 | (1,642) | | 16,371 |
| | 3,216 | (787) | | 39,704 |
| Income before income taxes | 81,627 | 112,651 | - 27.5 | 1,007,741 |
| Income taxes | 26,207 | 43,858 | | 323,543 |
| Consolidated net income | 55,420 | 68,793 | | 684,198 |
| Less: Net income attributable to noncontrolling interests | 1,559 | 1,155 | | 19,247 |
| Net income attributable to Canon Inc. | ¥ 53,861 | ¥ 67,638 | - 20.4 | \$ 664,951 |

Note: Consolidated comprehensive income(loss) for the three months ended June 30, 2011 and 2010 was JPY 37,266 million (U.S.\$460,074 thousand) and JPY (5,095) million, respectively.

| | Millions of yen | | | Thousands of |
|-----------------------------------|---|--------------------------------------|-----------|---|
| | Six months ended June 30, 2011 | Six months ended June 30, 2010 | Change(%) | U.S. dollars |
| Results for the first half | | | | Six months ended June 30, 2011 |
| Net sales | ¥ 1,675,765 | ¥ 1,725,884 | - 2.9 | \$ 20,688,457 |
| Cost of sales | 851,029 | 881,953 | | 10,506,531 |

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| | | | | | |
|---|------------------|-----------|---|------|---------------------|
| Gross profit | 824,736 | 843,931 | - | 2.3 | 10,181,926 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 517,649 | 490,825 | | | 6,390,729 |
| Research and development expenses | 146,174 | 152,825 | | | 1,804,617 |
| | 663,823 | 643,650 | | | 8,195,346 |
| Operating profit | 160,913 | 200,281 | - | 19.7 | 1,986,580 |
| Other income (deductions): | | | | | |
| Interest and dividend income | 3,760 | 2,743 | | | 46,420 |
| Interest expense | (672) | (953) | | | (8,296) |
| Other, net | (342) | (568) | | | (4,223) |
| | 2,746 | 1,222 | | | 33,901 |
| Income before income taxes | 163,659 | 201,503 | - | 18.8 | 2,020,481 |
| Income taxes | 52,259 | 73,975 | | | 645,172 |
| Consolidated net income | 111,400 | 127,528 | | | 1,375,309 |
| Less: Net income attributable to noncontrolling interests | 2,077 | 3,079 | | | 25,642 |
| Net income attributable to Canon Inc. | ¥ 109,323 | ¥ 124,449 | - | 12.2 | \$ 1,349,667 |

Note: Consolidated comprehensive income for the six months ended June 30, 2011 and 2010 was JPY 131,884 million (U.S.\$1,628,198 thousand) and JPY 52,747 million, respectively.

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALES

| <u>Results for the second quarter</u> | Millions of yen | | Change(%) | Thousands of |
|--|----------------------------------|----------------------------------|-----------|---|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | | U.S. dollars |
| Sales by business unit | | | | Three months ended June 30, 2011 |
| Office | ¥ 465,799 | ¥ 521,943 | - 10.8 | \$ 5,750,605 |
| Consumer | 302,216 | 364,027 | - 17.0 | 3,731,062 |
| Industry and Others | 91,256 | 108,930 | - 16.2 | 1,126,617 |
| Eliminations | (22,697) | (24,542) | - - | (280,210) |
| Total | ¥ 836,574 | ¥ 970,358 | - 13.8 | \$ 10,328,074 |

| Sales by region | Millions of yen | | Change(%) | Thousands of |
|-------------------------|----------------------------------|----------------------------------|-----------|---------------|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | | U.S. dollars |
| Japan | ¥ 165,556 | ¥ 170,145 | - 2.7 | \$ 2,043,901 |
| Overseas: | | | | |
| <i>Americas</i> | 230,519 | 269,939 | - 14.6 | 2,845,914 |
| <i>Europe</i> | 268,641 | 310,969 | - 13.6 | 3,316,556 |
| <i>Asia and Oceania</i> | 171,858 | 219,305 | - 21.6 | 2,121,703 |
| | 671,018 | 800,213 | - 16.1 | 8,284,173 |
| Total | ¥ 836,574 | ¥ 970,358 | - 13.8 | \$ 10,328,074 |

| <u>Results for the first half</u> | Millions of yen | | Change(%) | Thousands of |
|--|--------------------------------|--------------------------------|-----------|---------------------------------------|
| | Six months ended June 30, 2011 | Six months ended June 30, 2010 | | U.S. dollars |
| Sales by business unit | | | | Six months ended June 30, 2011 |
| Office | ¥ 946,661 | ¥ 931,077 | + 1.7 | \$ 11,687,173 |
| Consumer | 591,837 | 654,314 | - 9.5 | 7,306,630 |
| Industry and Others | 183,049 | 191,258 | - 4.3 | 2,259,864 |
| Eliminations | (45,782) | (50,765) | - - | (565,210) |
| Total | ¥ 1,675,765 | ¥ 1,725,884 | - 2.9 | \$ 20,688,457 |

Millions of yen

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| Sales by region | Six months | Six months | Change(%) | | Thousands of |
|------------------|-------------|-------------|-----------|-----|---------------|
| | ended | ended | | | U.S. dollars |
| | June | June 30, | | | Six months |
| | 30, 2011 | 2010 | | | ended |
| | ¥ 323,604 | ¥ 337,661 | | | June 30, 2011 |
| Japan | | | - | 4.2 | \$ 3,995,111 |
| Overseas: | | | | | |
| Americas | 447,053 | 474,494 | - | 5.8 | 5,519,173 |
| Europe | 548,594 | 541,647 | + | 1.3 | 6,772,765 |
| Asia and Oceania | 356,514 | 372,082 | - | 4.2 | 4,401,408 |
| | 1,352,161 | 1,388,223 | - | 2.6 | 16,693,346 |
| Total | ¥ 1,675,765 | ¥ 1,725,884 | - | 2.9 | \$ 20,688,457 |

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 / Digital production printers
- Consumer: Digital SLR cameras / Compact digital cameras / Interchangeable lenses / Digital video camcorders / Inkjet multifunction printers / Single function inkjet printers / Image scanners / Broadcast equipment / Calculators
- Industry and Others : Semiconductor lithography equipment / LCD lithography equipment / Medical image recording equipment / Ophthalmic products / Magnetic heads / Micromotors / Computers / Handy terminals / Document scanners

2. The principal countries and regions included in each regional category are as follows:

- Americas: United States of America, Canada, Latin America / Europe: United Kingdom, Germany, France, Netherlands / Asia and Oceania: China, Asian countries, Australia

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| | Six months ended June 30, 2011 | Six months ended June 30, 2010 | Six months ended June 30, 2011 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 111,400 | ¥ 127,528 | \$ 1,375,309 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 127,587 | 125,968 | 1,575,148 |
| Loss on disposal of fixed assets | 4,914 | 4,597 | 60,667 |
| Deferred income taxes | (1,627) | 4,911 | (20,086) |
| Decrease in trade receivables | 91,225 | 15,598 | 1,126,235 |
| Increase in inventories | (83,978) | (49,876) | (1,036,765) |
| Increase (decrease) in trade payables | (9,859) | 87,995 | (121,716) |
| Increase (decrease) in accrued income taxes | (14,803) | 19,734 | (182,753) |
| Decrease in accrued expenses | (32,986) | (24,228) | (407,235) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | (300) | 2,605 | (3,704) |
| Other, net | (748) | 33,743 | (9,236) |
| Net cash provided by operating activities | 190,825 | 348,575 | 2,355,864 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (104,307) | (96,783) | (1,287,741) |
| Proceeds from sale of fixed assets | 616 | 1,306 | 7,605 |
| Purchases of available-for-sale securities | (540) | (9,028) | (6,667) |
| Proceeds from sale and maturity of available-for-sale securities | 1,469 | 24 | 18,136 |
| (Increase) decrease in time deposits, net | 17,729 | (16,840) | 218,877 |
| Acquisitions of subsidiaries, net of cash acquired | 17 | (55,533) | 210 |
| Purchases of other investments | (127) | (505) | (1,568) |
| Other, net | 11,835 | 377 | 146,111 |
| Net cash used in investing activities | (73,308) | (176,982) | (905,037) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 593 | 3,107 | 7,321 |
| Repayments of long-term debt | (2,345) | (2,751) | (28,951) |
| Increase (decrease) in short-term loans, net | 6,582 | (76,661) | 81,259 |
| Dividends paid | (79,850) | (67,897) | (985,802) |
| Repurchases of treasury stock, net | (49,843) | (5,022) | (615,346) |
| Other, net | (1,571) | (1,381) | (19,395) |
| Net cash used in financing activities | (126,434) | (150,605) | (1,560,914) |
| Effect of exchange rate changes on cash and cash equivalents | 16,957 | (44,325) | 209,346 |
| Net change in cash and cash equivalents | 8,040 | (23,337) | 99,259 |
| Cash and cash equivalents at beginning of period | 840,579 | 795,034 | 10,377,519 |
| Cash and cash equivalents at end of period | ¥ 848,619 | ¥ 771,697 | \$ 10,476,778 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

(1) SEGMENT INFORMATION BY BUSINESS UNIT

| <u>Results for the second quarter</u> | Millions of yen | | Change(%) | Thousands of |
|---------------------------------------|-------------------------------------|-------------------------------------|-----------|-------------------------------------|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | | U.S. dollars |
| | | | | Three months ended June 30, 2011 |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 464,301 | ¥ 521,061 | - 10.9 | \$ 5,732,111 |
| Intersegment | 1,498 | 882 | + 69.8 | 18,494 |
| Total | 465,799 | 521,943 | - 10.8 | 5,750,605 |
| Operating cost and expenses | 405,957 | 438,159 | - 7.3 | 5,011,815 |
| Operating profit | ¥ 59,842 | ¥ 83,784 | - 28.6 | \$ 738,790 |
| Consumer | | | | |
| Net sales: | | | | |
| External customers | ¥ 301,993 | ¥ 363,562 | - 16.9 | \$ 3,728,309 |
| Intersegment | 223 | 465 | - 52.0 | 2,753 |
| Total | 302,216 | 364,027 | - 17.0 | 3,731,062 |
| Operating cost and expenses | 256,901 | 297,094 | - 13.5 | 3,171,618 |
| Operating profit | ¥ 45,315 | ¥ 66,933 | - 32.3 | \$ 559,444 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 70,280 | ¥ 85,735 | - 18.0 | \$ 867,654 |
| Intersegment | 20,976 | 23,195 | - 9.6 | 258,963 |
| Total | 91,256 | 108,930 | - 16.2 | 1,126,617 |
| Operating cost and expenses | 86,422 | 114,354 | - 24.4 | 1,066,938 |
| Operating profit (loss) | ¥ 4,834 | ¥ (5,424) | - | \$ 59,679 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |

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| | | | | |
|-----------------------------|------------|------------|--------|---------------|
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (22,697) | (24,542) | - | (280,210) |
| Total | (22,697) | (24,542) | - | (280,210) |
| Operating cost and expenses | 8,883 | 7,313 | - | 109,666 |
| Operating profit | ¥ (31,580) | ¥ (31,855) | - | \$ (389,876) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 836,574 | ¥ 970,358 | - 13.8 | \$ 10,328,074 |
| Intersegment | - | - | - | - |
| Total | 836,574 | 970,358 | - 13.8 | 10,328,074 |
| Operating cost and expenses | 758,163 | 856,920 | - 11.5 | 9,360,037 |
| Operating profit | ¥ 78,411 | ¥ 113,438 | - 30.9 | \$ 968,037 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| | Millions of yen | | | Change(%) | Thousands of |
|-----------------------------------|--------------------------------------|--------------------------------------|--------|-----------|--|
| | Six months ended June 30, 2011 | Six months ended June 30, 2010 | | | U.S. dollars Six months ended June 30, 2011 |
| Results for the first half | | | | | |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 943,352 | ¥ 926,577 | + 1.8 | | \$ 11,646,321 |
| Intersegment | 3,309 | 4,500 | - 26.5 | | 40,852 |
| Total | 946,661 | 931,077 | + 1.7 | | 11,687,173 |
| Operating cost and expenses | 823,767 | 775,206 | + 6.3 | | 10,169,963 |
| Operating profit | ¥ 122,894 | ¥ 155,871 | - 21.2 | | \$ 1,517,210 |
| Consumer | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 591,361 | ¥ 653,291 | - 9.5 | | \$ 7,300,753 |
| Intersegment | 476 | 1,023 | - 53.5 | | 5,877 |
| Total | 591,837 | 654,314 | - 9.5 | | 7,306,630 |
| Operating cost and expenses | 506,613 | 540,048 | - 6.2 | | 6,254,482 |
| Operating profit | ¥ 85,224 | ¥ 114,266 | - 25.4 | | \$ 1,052,148 |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 141,052 | ¥ 146,016 | - 3.4 | | \$ 1,741,383 |
| Intersegment | 41,997 | 45,242 | - 7.2 | | 518,481 |
| Total | 183,049 | 191,258 | - 4.3 | | 2,259,864 |
| Operating cost and expenses | 171,612 | 199,637 | - 14.0 | | 2,118,666 |
| Operating profit (loss) | ¥ 11,437 | ¥ (8,379) | - | | \$ 141,198 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | | \$ - |
| Intersegment | (45,782) | (50,765) | - | | (565,210) |
| Total | (45,782) | (50,765) | - | | (565,210) |
| Operating cost and expenses | 12,860 | 10,712 | - | | 158,766 |
| Operating profit | ¥ (58,642) | ¥ (61,477) | - | | \$ (723,976) |

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Consolidated

Net sales:

| | | | | | |
|-----------------------------|--------------------|-------------|---|------|----------------------|
| External customers | ¥ 1,675,765 | ¥ 1,725,884 | - | 2.9 | \$ 20,688,457 |
| Intersegment | - | - | - | - | - |
| Total | 1,675,765 | 1,725,884 | - | 2.9 | 20,688,457 |
| Operating cost and expenses | 1,514,852 | 1,525,603 | - | 0.7 | 18,701,877 |
| Operating profit | ¥ 160,913 | ¥ 200,281 | - | 19.7 | \$ 1,986,580 |

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CANON INC. AND SUBSIDIARIES

CONSOLIDATED

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| <u>Results for the second quarter</u> | Millions of yen | | | Change(%) | Thousands of |
|--|---|-------------------------------------|---------|-----------|---|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 | | | U.S. dollars Three months ended June 30, 2011 |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 181,418 | ¥ 215,079 | - 15.7 | | \$ 2,239,728 |
| Intersegment | 435,167 | 518,487 | - 16.1 | | 5,372,432 |
| Total | 616,585 | 733,566 | - 15.9 | | 7,612,160 |
| Operating cost and expenses | 520,779 | 618,506 | - 15.8 | | 6,429,370 |
| Operating profit | ¥ 95,806 | ¥ 115,060 | - 16.7 | | \$ 1,182,790 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 228,738 | ¥ 265,607 | - 13.9 | | \$ 2,823,926 |
| Intersegment | 3,948 | 788 | + 401.0 | | 48,741 |
| Total | 232,686 | 266,395 | - 12.7 | | 2,872,667 |
| Operating cost and expenses | 229,321 | 258,837 | - 11.4 | | 2,831,124 |
| Operating profit | ¥ 3,365 | ¥ 7,558 | - 55.5 | | \$ 41,543 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 267,776 | ¥ 309,486 | - 13.5 | | \$ 3,305,877 |
| Intersegment | 1,129 | 932 | + 21.1 | | 13,938 |
| Total | 268,905 | 310,418 | - 13.4 | | 3,319,815 |
| Operating cost and expenses | 261,581 | 297,294 | - 12.0 | | 3,229,395 |
| Operating profit | ¥ 7,324 | ¥ 13,124 | - 44.2 | | \$ 90,420 |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 158,642 | ¥ 180,186 | - 12.0 | | \$ 1,958,543 |
| Intersegment | 149,572 | 184,022 | - 18.7 | | 1,846,568 |
| Total | 308,214 | 364,208 | - 15.4 | | 3,805,111 |
| Operating cost and expenses | 298,305 | 350,070 | - 14.8 | | 3,682,778 |

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| | | | | | |
|-----------------------------------|------------|------------|---|------|---------------|
| Operating profit | ¥ 9,909 | ¥ 14,138 | - | 29.9 | \$ 122,333 |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | - | \$ - |
| Intersegment | (589,816) | (704,229) | - | - | (7,281,679) |
| Total | (589,816) | (704,229) | - | - | (7,281,679) |
| Operating cost and expenses | (551,823) | (667,787) | - | - | (6,812,630) |
| Operating profit | ¥ (37,993) | ¥ (36,442) | - | - | \$ (469,049) |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 836,574 | ¥ 970,358 | - | 13.8 | \$ 10,328,074 |
| Intersegment | - | - | - | - | - |
| Total | 836,574 | 970,358 | - | 13.8 | 10,328,074 |
| Operating cost and expenses | 758,163 | 856,920 | - | 11.5 | 9,360,037 |
| Operating profit | ¥ 78,411 | ¥ 113,438 | - | 30.9 | \$ 968,037 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

| Results for the first half | Millions of yen | | | | Thousands of |
|-----------------------------|--------------------------------------|--------------------------------------|-----------|-------|--|
| | Six months ended June 30, 2011 | Six months ended June 30, 2010 | Change(%) | | U.S. dollars Six months ended June 30, 2011 |
| Japan | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 358,894 | ¥ 404,462 | - | 11.3 | \$ 4,430,790 |
| Intersegment | 878,099 | 952,682 | - | 7.8 | 10,840,729 |
| Total | 1,236,993 | 1,357,144 | - | 8.9 | 15,271,519 |
| Operating cost and expenses | 1,054,653 | 1,146,939 | - | 8.0 | 13,020,408 |
| Operating profit | ¥ 182,340 | ¥ 210,205 | - | 13.3 | \$ 2,251,111 |
| Americas | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 444,415 | ¥ 466,654 | - | 4.8 | \$ 5,486,605 |
| Intersegment | 7,061 | 1,112 | + | 535.0 | 87,173 |
| Total | 451,476 | 467,766 | - | 3.5 | 5,573,778 |
| Operating cost and expenses | 447,066 | 456,262 | - | 2.0 | 5,519,334 |
| Operating profit | ¥ 4,410 | ¥ 11,504 | - | 61.7 | \$ 54,444 |
| Europe | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 545,489 | ¥ 538,336 | + | 1.3 | \$ 6,734,432 |
| Intersegment | 2,011 | 2,188 | - | 8.1 | 24,827 |
| Total | 547,500 | 540,524 | + | 1.3 | 6,759,259 |
| Operating cost and expenses | 528,857 | 520,566 | + | 1.6 | 6,529,099 |
| Operating profit | ¥ 18,643 | ¥ 19,958 | - | 6.6 | \$ 230,160 |
| Asia and Oceania | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 326,967 | ¥ 316,432 | + | 3.3 | \$ 4,036,630 |
| Intersegment | 335,430 | 335,783 | - | 0.1 | 4,141,111 |
| Total | 662,397 | 652,215 | + | 1.6 | 8,177,741 |
| Operating cost and expenses | 638,212 | 627,262 | + | 1.7 | 7,879,161 |
| Operating profit | ¥ 24,185 | ¥ 24,953 | - | 3.1 | \$ 298,580 |

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Corporate and Eliminations

Net sales:

| | | | | |
|-----------------------------|-------------|-------------|---|--------------|
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (1,222,601) | (1,291,765) | - | (15,093,840) |
| Total | (1,222,601) | (1,291,765) | - | (15,093,840) |
| Operating cost and expenses | (1,153,936) | (1,225,426) | - | (14,246,125) |
| Operating profit | ¥ (68,665) | ¥ (66,339) | - | \$ (847,715) |

Consolidated

Net sales:

| | | | | | |
|-----------------------------|-------------|-------------|---|------|---------------|
| External customers | ¥ 1,675,765 | ¥ 1,725,884 | - | 2.9 | \$ 20,688,457 |
| Intersegment | - | - | - | - | - |
| Total | 1,675,765 | 1,725,884 | - | 2.9 | 20,688,457 |
| Operating cost and expenses | 1,514,852 | 1,525,603 | - | 0.7 | 18,701,877 |
| Operating profit | ¥ 160,913 | ¥ 200,281 | - | 19.7 | \$ 1,986,580 |

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS' EQUITY

Not applicable.

8. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) GROUP POSITION

1. Number of Group Companies

| | June 30, 2011 | December 31, 2010 | Change |
|--------------|---------------|-------------------|--------|
| Subsidiaries | 297 | 294 | 3 |
| Affiliates | 13 | 14 | (1) |
| Total | 310 | 308 | 2 |

2. Change in Group Entities

| | |
|-------------------------------------|-------------|
| Subsidiaries | |
| Addition: | 6 companies |
| Removal: | 3 companies |
| Affiliates(Carried at Equity Basis) | |
| Removal: | 1 company |

3. Subsidiaries Listed on Domestic Stock Exchange

Tokyo Stock Exchange (1st section): Canon Marketing Japan Inc., Canon Electronics Inc.

Osaka Stock Exchange (2nd section): ELK CORPORATION

(2) SIGNIFICANT ACCOUNTING POLICIES

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

CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER

AND THE FIRST HALF ENDED JUNE 30, 2011

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 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)

| | 2011 | | | 2010 | | | Change year over year | | |
|-------------------------|-------------|-----------|-------------|-------------|-----------|-----------|-----------------------|----------|-------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Japan | | | | | | | | | |
| Office | 88,398 | 179,457 | - | 96,246 | 191,760 | 376,928 | -8.2% | -6.4% | - |
| Consumer | 41,142 | 79,774 | - | 50,454 | 96,631 | 216,509 | -18.5% | -17.4% | - |
| Industry and Others | 36,016 | 64,373 | - | 23,445 | 49,270 | 102,312 | +53.6% | +30.7% | - |
| Total | 165,556 | 323,604 | 715,100 | 170,145 | 337,661 | 695,749 | -2.7% | -4.2% | +2.8% |
| Overseas | | | | | | | | | |
| Office | 375,903 | 763,895 | - | 424,815 | 734,817 | 1,602,017 | -11.5% | +4.0% | - |
| Consumer | 260,851 | 511,587 | - | 313,108 | 556,660 | 1,173,113 | -16.7% | -8.1% | - |
| Industry and Others | 34,264 | 76,679 | - | 62,290 | 96,746 | 236,022 | -45.0% | -20.7% | - |
| Total | 671,018 | 1,352,161 | 3,064,900 | 800,213 | 1,388,223 | 3,011,152 | -16.1% | -2.6% | +1.8% |
| Americas | | | | | | | | | |
| Office | 143,334 | 285,744 | - | 155,172 | 274,729 | 601,090 | -7.6% | +4.0% | - |
| Consumer | 77,042 | 143,178 | - | 104,403 | 180,568 | 379,522 | -26.2% | -20.7% | - |
| Industry and Others | 10,143 | 18,131 | - | 10,364 | 19,197 | 42,687 | -2.1% | -5.6% | - |
| Total | 230,519 | 447,053 | 992,200 | 269,939 | 474,494 | 1,023,299 | -14.6% | -5.8% | -3.0% |
| Europe | | | | | | | | | |
| Office | 169,018 | 351,198 | - | 197,298 | 335,150 | 733,216 | -14.3% | +4.8% | - |
| Consumer | 93,428 | 183,179 | - | 106,390 | 192,573 | 407,994 | -12.2% | -4.9% | - |
| Industry and Others | 6,195 | 14,217 | - | 7,281 | 13,924 | 31,264 | -14.9% | +2.1% | - |
| Total | 268,641 | 548,594 | 1,207,500 | 310,969 | 541,647 | 1,172,474 | -13.6% | +1.3% | +3.0% |
| Asia and Oceania | | | | | | | | | |
| Office | 63,551 | 126,953 | - | 72,345 | 124,938 | 267,711 | -12.2% | +1.6% | - |
| Consumer | 90,381 | 185,230 | - | 102,315 | 183,519 | 385,597 | -11.7% | +0.9% | - |
| Industry and Others | 17,926 | 44,331 | - | 44,645 | 63,625 | 162,071 | -59.8% | -30.3% | - |
| Total | 171,858 | 356,514 | 865,200 | 219,305 | 372,082 | 815,379 | -21.6% | -4.2% | +6.1% |
| Intersegment | | | | | | | | | |
| Office | 1,498 | 3,309 | - | 882 | 4,500 | 8,324 | +69.8% | -26.5% | - |
| Consumer | 223 | 476 | - | 465 | 1,023 | 1,705 | -52.0% | -53.5% | - |
| Industry and Others | 20,976 | 41,997 | - | 23,195 | 45,242 | 94,624 | -9.6% | -7.2% | - |
| Eliminations | (22,697) | (45,782) | - | (24,542) | (50,765) | (104,653) | - | - | - |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| Total | | | | | | | | | |
| Office | 465,799 | 946,661 | 2,029,000 | 521,943 | 931,077 | 1,987,269 | -10.8% | +1.7% | +2.1% |
| Consumer | 302,216 | 591,837 | 1,416,700 | 364,027 | 654,314 | 1,391,327 | -17.0% | -9.5% | +1.8% |
| Industry and Others | 91,256 | 183,049 | 403,600 | 108,930 | 191,258 | 432,958 | -16.2% | -4.3% | -6.8% |
| Eliminations | (22,697) | (45,782) | (69,300) | (24,542) | (50,765) | (104,653) | - | - | - |
| Total | 836,574 | 1,675,765 | 3,780,000 | 970,358 | 1,725,884 | 3,706,901 | -13.8% | -2.9% | +2.0% |

(P)=Projection

2. SEGMENT INFORMATION BY BUSINESS UNIT

| | (Millions of yen) | | | | | | | | |
|-----------------------------------|-------------------|-----------|-----------|-------------|-----------|-----------|-----------------------|----------|--------|
| | 2011 | | | 2010 | | | Change year over year | | |
| | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| | | | (P) | | | | | | |
| Office | | | | | | | | | |
| External customers | 464,301 | 943,352 | 2,019,200 | 521,061 | 926,577 | 1,978,945 | -10.9% | +1.8% | +2.0% |
| Intersegment | 1,498 | 3,309 | 9,800 | 882 | 4,500 | 8,324 | +69.8% | -26.5% | +17.7% |
| Total sales | 465,799 | 946,661 | 2,029,000 | 521,943 | 931,077 | 1,987,269 | -10.8% | +1.7% | +2.1% |
| Operating profit | 59,842 | 122,894 | 257,000 | 83,784 | 155,871 | 293,322 | -28.6% | -21.2% | -12.4% |
| % of sales | 12.8% | 13.0% | 12.7% | 16.1% | 16.7% | 14.8% | - | - | - |
| Consumer | | | | | | | | | |
| External customers | 301,993 | 591,361 | 1,415,500 | 363,562 | 653,291 | 1,389,622 | -16.9% | -9.5% | +1.9% |
| Intersegment | 223 | 476 | 1,200 | 465 | 1,023 | 1,705 | -52.0% | -53.5% | -29.6% |
| Total sales | 302,216 | 591,837 | 1,416,700 | 364,027 | 654,314 | 1,391,327 | -17.0% | -9.5% | +1.8% |
| Operating profit | 45,315 | 85,224 | 234,800 | 66,933 | 114,266 | 238,065 | -32.3% | -25.4% | -1.4% |
| % of sales | 15.0% | 14.4% | 16.6% | 18.4% | 17.5% | 17.1% | - | - | - |
| Industry and Others | | | | | | | | | |
| External customers | 70,280 | 141,052 | 345,300 | 85,735 | 146,016 | 338,334 | -18.0% | -3.4% | +2.1% |
| Intersegment | 20,976 | 41,997 | 58,300 | 23,195 | 45,242 | 94,624 | -9.6% | -7.2% | -38.4% |
| Total sales | 91,256 | 183,049 | 403,600 | 108,930 | 191,258 | 432,958 | -16.2% | -4.3% | -6.8% |
| Operating profit | 4,834 | 11,437 | 26,500 | (5,424) | (8,379) | (9,831) | - | - | - |
| % of sales | 5.3% | 6.2% | 6.6% | -5.0% | -4.4% | -2.3% | - | - | - |
| Corporate and Eliminations | | | | | | | | | |
| External customers | - | - | - | - | - | - | - | - | - |
| Intersegment | (22,697) | (45,782) | (69,300) | (24,542) | (50,765) | (104,653) | - | - | - |
| Total sales | (22,697) | (45,782) | (69,300) | (24,542) | (50,765) | (104,653) | - | - | - |
| Operating profit | (31,580) | (58,642) | (138,300) | (31,855) | (61,477) | (134,004) | - | - | - |
| Consolidated | | | | | | | | | |
| External customers | 836,574 | 1,675,765 | 3,780,000 | 970,358 | 1,725,884 | 3,706,901 | -13.8% | -2.9% | +2.0% |
| Intersegment | - | - | - | - | - | - | - | - | - |
| Total sales | 836,574 | 1,675,765 | 3,780,000 | 970,358 | 1,725,884 | 3,706,901 | -13.8% | -2.9% | +2.0% |
| Operating profit | 78,411 | 160,913 | 380,000 | 113,438 | 200,281 | 387,552 | -30.9% | -19.7% | -1.9% |
| % of sales | 9.4% | 9.6% | 10.1% | 11.7% | 11.6% | 10.5% | - | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

| | (Millions of yen) | | | | | | | | |
|---|-------------------|----------|---------|-------------|----------|----------|-----------------------|----------|----------|
| | 2011 | | | 2010 | | | Change year over year | | |
| | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| | | | (P) | | | | | | |
| Interest and dividend, net | 1,890 | 3,088 | 4,800 | 855 | 1,790 | 4,091 | +1,035 | +1,298 | +709 |
| Forex gain (loss) | (2,056) | 837 | (1,400) | (551) | 2,195 | 3,089 | (1,505) | (1,358) | (4,489) |
| Equity earnings (loss) of affiliated companies | (2,499) | (5,377) | (7,800) | 16,056 | 12,875 | 10,471 | (18,555) | (18,252) | (18,271) |
| Other, net | 5,881 | 4,198 | 4,400 | (17,147) | (15,638) | (12,340) | +23,028 | +19,836 | +16,740 |
| Total | 3,216 | 2,746 | 0 | (787) | 1,222 | 5,311 | +4,003 | +1,524 | (5,311) |

(P)=Projection

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2nd quarter | 2nd quarter 2011 | 2nd quarter | 2nd quarter | 2nd quarter 2010 | 2nd quarter |
|----------------------------|-------------|---------------------|-------------|-------------|---------------------|-------------|
| | 2nd quarter | 1st half | Year | (P) | 2nd quarter | 1st half |
| | | | | | | Year |
| Office | | | | | | |
| Monochrome copiers | 15% | 15% | 15% | 15% | 15% | 15% |
| Color copiers | 17% | 17% | 17% | 17% | 17% | 17% |
| Other printing devices | 47% | 47% | 48% | 49% | 51% | 50% |
| Others | 21% | 21% | 20% | 19% | 15% | 18% |
| Consumer | | | | | | |
| Cameras | 69% | 69% | 71% | 71% | 69% | 70% |
| Inkjet printers | 26% | 26% | 24% | 23% | 24% | 24% |
| Others | 5% | 5% | 5% | 6% | 7% | 6% |
| Industry and Others | | | | | | |
| Lithography equipment | 15% | 17% | 21% | 28% | 20% | 23% |
| Others | 85% | 83% | 79% | 72% | 80% | 77% |

(P)=Projection

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

| | 2nd quarter | 2nd quarter 2011 | 2nd quarter | 2nd quarter |
|----------------------------|-------------|---------------------|-------------|-------------|
| | 2nd quarter | 1st half | Year | (P) |
| Office | | | | |
| Japan | -8.2% | -6.4% | - | - |
| Overseas | -5.5% | +11.8% | - | - |
| Total | -5.8% | +7.9% | +5.7% | |
| Consumer | | | | |
| Japan | -18.5% | -17.4% | - | - |
| Overseas | -11.7% | -1.2% | - | - |
| Total | -12.7% | -3.7% | +4.9% | |
| Industry and Others | | | | |
| Japan | +53.6% | +30.7% | - | - |
| Overseas | -42.9% | -17.6% | - | - |
| Total | -15.0% | -2.7% | -6.0% | |
| Total | | | | |
| Japan | -2.7% | -4.2% | +2.8% | |
| Overseas | -10.8% | +4.6% | +5.7% | |
| Americas | -5.0% | +3.8% | +3.6% | |
| Europe | -12.1% | +7.0% | +4.9% | |
| Asia and Oceania | -16.3% | +2.0% | +9.6% | |
| Total | -9.4% | +2.9% | +5.2% | |

(P)=Projection

6. PROFITABILITY

| | 2011 | | 2010 | |
|--------|----------|----------|----------|------|
| | 1st half | Year (P) | 1st half | Year |
| ROE *1 | 8.3% | 9.7% | 9.2% | 9.2% |
| ROA *2 | 5.5% | 6.4% | 6.3% | 6.3% |

(P)=Projection

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

*2 Based on Net Income attributable to Canon Inc.

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

(Yen)

| | 2011 | | | 2010 | |
|----------|----------|--------------|----------|----------|--------|
| | 1st half | 2nd half (P) | Year (P) | 1st half | Year |
| Yen/US\$ | 81.92 | 80.00 | 80.86 | 91.35 | 87.40 |
| Yen/Euro | 114.95 | 115.00 | 114.97 | 120.20 | 114.97 |

(P)=Projection

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

(Billions of yen)

| | 2011 | |
|------------------|----------|----------|
| | 1st half | Year (P) |
| US\$ | (62.0) | (95.3) |
| Euro | (17.8) | (3.1) |
| Other currencies | (5.5) | (1.3) |
| Total | (85.3) | (99.7) |

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

| | 2011 | |
|---------------------|----------|--------------|
| | 1st half | 2nd half (P) |
| On sales | | |
| US\$ | | 10.2 |
| Euro | | 5.3 |
| On operating profit | | |
| US\$ | | 4.8 |
| Euro | | 3.0 |

(P)=Projection

8. STATEMENTS OF CASH FLOWS

(Millions of yen)

| | 2011 | | 2010 | |
|--|-----------|-----------|-----------|-----------|
| | 1st half | Year (P) | 1st half | Year |
| Net cash provided by operating activities | 190,825 | 510,000 | 348,575 | 744,413 |
| Net cash used in investing activities | (73,308) | (360,000) | (176,982) | (342,133) |
| Free cash flow | 117,517 | 150,000 | 171,593 | 402,280 |
| Net cash used in financing activities | (126,434) | (200,600) | (150,605) | (279,897) |
| Effect of exchange rate changes on cash and cash equivalents | 16,957 | 10,000 | (44,325) | (76,838) |

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| | | | | |
|--|---------|----------|----------|---------|
| Net change in cash and cash equivalents | 8,040 | (40,600) | (23,337) | 45,545 |
| Cash and cash equivalents at end of period | 848,619 | 800,000 | 771,697 | 840,579 |

(P)=Projection

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9. R&D EXPENDITURE

| | (Millions of yen) | | | |
|----------------------------|-------------------|----------|----------|---------|
| | 2011 | | 2010 | |
| | 1st half | Year (P) | 1st half | Year |
| Office | 50,580 | - | 44,127 | 96,156 |
| Consumer | 38,943 | - | 40,498 | 82,843 |
| Industry and Others | 10,767 | - | 10,083 | 21,062 |
| Corporate and Eliminations | 45,884 | - | 58,117 | 115,756 |
| Total | 146,174 | 320,000 | 152,825 | 315,817 |
| % of sales | 8.7% | 8.5% | 8.9% | 8.5% |

(P)=Prection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

| | (Millions of yen) | | | |
|-------------------------------|-------------------|----------|----------|---------|
| | 2011 | | 2010 | |
| | 1st half | Year (P) | 1st half | Year |
| Increase in PP&E | 99,750 | 260,000 | 70,051 | 158,976 |
| Depreciation and amortization | 127,587 | 300,000 | 125,968 | 276,193 |

(P)=Projection

11. INVENTORIES**(1) Inventories**

| | (Millions of yen) | | |
|---------------------|-------------------|---------|------------|
| | 2011 | 2010 | Difference |
| | Jun.30 | Dec.31 | |
| Office | 214,288 | 186,817 | +27,471 |
| Consumer | 134,220 | 107,261 | +26,959 |
| Industry and Others | 130,211 | 90,699 | +39,512 |
| Total | 478,719 | 384,777 | +93,942 |

(2) Inventory turnover*

| | (Days) | | |
|---------------------|--------|--------|------------|
| | 2011 | 2010 | Difference |
| | Jun.30 | Dec.31 | |
| Office | 41 | 32 | +9 |
| Consumer | 41 | 27 | +14 |
| Industry and Others | 173 | 88 | +85 |
| Total | 52 | 35 | +17 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | 2011 | 2010 | Difference |
|--|---------------------------|--------|------------|
| | Jun.30 | Dec.31 | |
| | Total debt / Total assets | 0.4% | 0.3% |

13. OVERSEAS PRODUCTION RATIO

| | 2011 | 2010 |
|--|---------------------------|------|
| | 1st half | Year |
| | Overseas production ratio | 52% |

14. NUMBER OF EMPLOYEES

| | 2011 | 2010 | Difference |
|----------|---------|---------|------------|
| | Jun.30 | Dec.31 | |
| | Japan | 71,324 | 71,954 |
| Overseas | 127,248 | 125,432 | +1,816 |
| Total | 198,572 | 197,386 | +1,186 |