

CANON INC  
Form 6-K  
September 26, 2008

**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 September, 2008**  
**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-\_\_\_\_\_

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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....**September 26, 2008** ....

By /s/ Masashiro Kobayashi  
(Signature)\*

Masashiro Kobayashi  
General Manager  
Global Finance Management Center  
Canon Inc.

\*Print the name and title of the signing officer under his signature.

The following materials are included.

1. Semi-annual Report filed with the Japanese government pursuant to the Financial Instruments and Exchange Law of Japan  
For the six months ended June 30, 2008
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[English summary with full translation of consolidated financial information]

**Semi-annual Report filed with the Japanese government  
pursuant to**

**the Financial Instruments and Exchange Law of Japan**

**For the six months ended**

**June 30, 2008**

**CANON INC.**

**Tokyo, Japan**

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Disclaimer Regarding Forward-Looking Statements

This semi-annual report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) concerning Canon Inc. (the Company ) and its subsidiaries (collectively Canon ). To the extent that statements in this semi-annual report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Canon in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Canon s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Canon undertakes no obligation to publicly update any forward-looking statements after the date of this semiannual report. Investors are advised to consult any further disclosures by Canon in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings. The risks, uncertainties and other factors referred to above include, but are not limited to, foreign exchange rate fluctuations; the uncertainty of Canon s ability to implement its plans to localize production and other measures to reduce the impact of foreign exchange rate fluctuations; uncertainty of economic conditions in Canon s major markets; uncertainty of continued demand for Canon s high-value-added products; uncertainty to the recovery of computer and related markets; uncertainty of recovery in demand for Canon s semiconductor production equipment; Canon s ability to continue to develop and market products that incorporate new technology on a timely basis, are competitively priced and achieve market acceptance; the possibility of losses resulting from foreign currency transactions designed to reduce financial risks from changes in foreign exchange rates; and inventory risk due to shifts in market demand.

Note: Certain information that has been previously filed with the SEC in other reports, including English summaries of non-consolidated (parent company alone) financial information, is not included in this English translation.

**I. Corporate Information****(1) Consolidated Financial Summary**

	Millions of Yen (except per share amounts)				
	Six months ended June 30			Year ended December 31	
	2008	2007	2006	2007	2006
Net sales	2,113,432	2,166,724	1,952,255	4,481,346	4,156,759
Income before income taxes and minority interests	339,245	406,141	341,045	768,388	719,143
Net income	214,485	255,183	214,174	488,332	455,325
Stockholders' equity	3,007,929	3,074,367	2,762,380	2,922,336	2,986,606
Total assets	4,458,196	4,608,514	4,107,366	4,512,625	4,521,915
Stockholders' equity per share (Yen)	2,385.13	2,363.82	2,074.49	2,317.39	2,242.78
Net income per share: basic (Yen)	170.08	194.38	160.85	377.59	341.95
Net income per share: diluted (Yen)	170.07	194.33	160.79	377.53	341.84
Stockholders' equity to total assets (%)	67.5	66.7	67.3	64.8	66.0
Cash flows from operating activities	335,598	440,324	323,878	839,269	695,241
Cash flows from investing activities	(289,541)	(209,353)	(210,297)	(432,485)	(460,805)
Cash flows from financing activities	(84,970)	(279,770)	(57,832)	(604,383)	(107,487)
Cash and cash equivalents at end of period	866,395	1,108,728	1,055,163	944,463	1,155,626
Number of employees	142,491	127,338	121,588	131,352	118,499
[Average number of temporary employees]	[43,363]	[39,848]	[25,544]	[41,984]	[30,394]

## Notes:

1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.
2. Consumption tax is excluded from the stated

amount of net  
sales.

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**(2) Number of Employees**

Canon's number of employees by product group is summarized as follows:

	As of June 30, 2008
Business Machines	95,106
Cameras	20,753
Optical and other products	20,258
Corporate	6,374
 Total	 142,491

Notes:

1. The number of employees represents the total number of employees excluding those who do not work full time.
2. Canon had 43,363 temporary employees on average during fiscal 2008 first half.
3. This number includes seasonal workers as well as temporary-hired employees such as security staff, meal service staff and janitorial staff.

**II . The Business****(1) Operating Results**



Looking back at the global economy in the first half of 2008, in the United States, housing investment remained lackluster during the period due to the subprime loan crisis while escalating crude oil prices led to slack consumer spending. In Europe, growth of consumer spending was sluggish due to a rise in prices, and exports suffered a slowdown due to the appreciation of the euro. Within Asia, although the effects of the U.S. and European economies resulted in a slight slowdown, the Asian economy, led by China, continued to realize a high rate of growth. In Japan, consumer spending floundered amid uncertainty over the future while export growth was limited due to the slowdown in the global economy and the appreciation of the yen.

As for the markets in which Canon operates, within the office imaging product market, amid the shift toward color models and advanced functionality, demand for network digital multifunction devices (MFDs) remained low primarily in the U.S. market due to the deterioration of the business climate. As for computer peripherals, including printers, demand for laser beam printers continued to display growth, mainly for color models. With regard to inkjet printers, demand continued to shift from single-function to multifunction models amid fierce price competition within the market. Within the digital camera segment, demand for digital single-lens reflex (SLR) cameras and digital compact cameras grew steadily during the term. In the optical equipment segment, while demand for steppers, utilized in the production of semiconductors, remained low due to restrained facility investment by device manufacturers, the market for aligners, used to produce liquid crystal display (LCD) panels, improved dramatically thanks to a recovery in capital spending by LCD panel manufacturers. The average value of the yen for the first half was ¥104.69 to the U.S. dollar, a year-on-year appreciation of about 13%, and ¥160.69 to the euro, approximately the same level as the year-ago period.

Amid these conditions, Canon has been working steadily to strengthen the Company's management foundation by bolstering competitiveness in each business field through

management innovations. During the first six months of the year, sales volumes of digital cameras, color network MFDs and other products increased supported by the enhancement of market share and recording sales increases on a local-currency basis. The negative effect, however, of the sharp and sudden appreciation of the yen against the U.S. dollar resulted in consolidated net sales for the first half of ¥2,113.4 billion, a year-on-year decrease of 2.5%. Despite the continued launch of new products and ongoing cost-cutting efforts, the gross profit ratio for the first half was 49.3%, a decline of 1.8 points due to such factors as the rapid appreciation of the yen against the U.S. dollar and escalating resource and materials costs. As such, first-half gross profit declined by 6.0% to ¥1,041.5 billion from the year-ago period.

While R&D expenditures grew by 3.1% compared with the same period for the previous year, group-wide expense-reduction efforts supported a decrease in operating expenses of 1.1% year on year. Consequently, operating profit in the first half totaled ¥331.0 billion, a decline of 14.9% compared with last year. Other income (deductions) decreased by ¥9.0 billion, mainly due to a reduced interest income and a drop in earnings on investments in affiliates accounted for by the equity method. As a result, while income before income taxes and minority interests for the first half totaled ¥339.2 billion, a decline of 16.5%, and first-half net income also recorded a decrease of 15.9% to ¥214.5 billion, the net income ratio, at 10.1%, remained at a double-digit level.

Basic net income per share for the first half was ¥170.08, a year-on-year decline of ¥24.30.

Canon's semi-annual results by business segment are summarized as follows:

Within the business machine segment, despite sales growth for such products as the competitively priced iR C3580 series of color network digital MFDs, the appreciation of the yen along with restrained investment in office equipment as a result of concerns regarding business performance had a negative impact on sales led by the U.S. market. Consequently, business machine sales overall declined by 5.3% year on year. In the field of computer peripherals, despite a steady increase in sales of laser beam printers on a local-currency basis, the significant impact of the yen's appreciation against the U.S. dollar resulted in a decrease in sales of 3.9% from the year-ago period. As for inkjet printers, however, home-use multifunction models such as the PIXMA MP610, as well as business-use MFDs equipped with a facsimile function, recorded an increase in unit sales with sales of related consumables also expanding, which contributed to a sales increase of 2.8% despite the impact of the yen's appreciation. As a result, first-half profit for computer peripherals overall declined by 2.3%. As for business information products, a drop in demand for personal computer sales in the Japanese domestic market resulted in a reduction in sales of 12.6%. Collectively, sales of business machines overall during the term totaled ¥1,389.0 billion, dropping 4.0% from the year-ago period. Operating profit for the segment totaled ¥303.0 billion, a year-on-year decrease of 9.7%, as a result of lower gross profit ratio due to the appreciation of the yen.

Within the digital camera segment, the high-resolution, competitively priced EOS Digital Rebel XSi and advanced-amateur model EOS 40D contributed to robust sales while also boosting sales of interchangeable lenses and other accessories. Sales volume of digital compact cameras also maintained stable growth, bolstered by the launch of 7 new models, including 4 new stylish ELPH (IXUS)-series models and 3 new PowerShot-series models that cater to a range of photographic demands. As a result, while year-on-year sales volume for digital cameras rose by 16%, overall camera sales for the first half grew by only 1.9% from the year-ago period to ¥529.4 billion due to the dramatic appreciation of the yen against the U.S. dollar along with fierce price competition. Additionally, operating profit for the camera segment decreased by 18.0% year on year to ¥112.6 billion as a result of the significant decline in the gross profit ratio for the sector.

In the optical and other products segment, while sales of aligners, used to produce LCD panels, gained momentum owing to a recovery in demand by LCD panel manufacturers, sales of steppers, used in the production of semiconductors, remained stagnant throughout the period due to market shrinkage. As a result, sales for the segment totaled ¥195.0 billion, a year-on-year decrease of 2.8%, while operating profit for the segment fell by 74.2% to ¥5.5 billion.

Semi-annual results in the domestic and overseas regions are summarized as follows:

#### Japan

Sales in Japan decreased by 1.6% from the year-ago period to ¥501.9 billion as the market for steppers, used in the production of semiconductors, remained stagnant. Operating profit generated in the region dropped 12.6%

year-on-year to ¥364.8 billion.

In the regions outside Japan, while sales on a local-currency basis sustained growth, the foreign currency exchange impact due to the appreciation of the yen against the U.S. dollar led to decline in sales compared with the previous year.

Americas

Sales decreased by 8.9% from the year-ago period to ¥581.3 billion, due to restrained investment in office equipment. Operating profit in the region fell by 47.7% to ¥12.5 billion year-on-year.

Europe

Sales dipped by 0.8% from the same period of the previous year to ¥715.7 billion, mainly due to price decline although sales volume of mainstay products displayed growth. Operating profit in the region also declined by 42.1% to ¥17.2 billion compared with the previous year.

Asia and others

Sales increased by 6.0% to ¥314.5 billion, due to expansion in sales of products such as digital cameras and printers. As a result, operating profit in the region rose by 10.6% to ¥26.6 billion.

Cash Flows

Cash and cash equivalents for the period decreased by ¥78.1 billion from the end of the previous year to ¥866.4 billion, including the ¥39.2 billion negative impact of currency translation due to the appreciation of the yen against the U.S. dollar.

Cash flows from operating activities

In the first half of 2008, Canon generated cash flow from operating activities of ¥335.6 billion, a year-on-year decrease of ¥104.7 billion, reflecting the decrease in net income.

Cash flows from investing activities

Cash flow from investing activities totaled ¥289.5 billion, a year-on-year increase of ¥80.2 billion, as facility investment to reinforce production capabilities was maintained at a high level and the payment to acquire shares of Hitachi Displays, Ltd. toward the launch of the Company's display business was executed.

Cash flows from financing activities

Cash flow from financing activities recorded an outlay of ¥85.0 billion, mainly resulting from the dividend payout of a total of ¥75.7 billion, based on the year-end dividend of ¥60.00 per share from the previous fiscal year.

As a result, free cash flow, calculated by deducting the cash flows from investing activities from the counterpart of operating activities, totaled ¥46.1 billion, a deterioration of ¥184.9 billion from the year-ago period.

**(2) Production and Sales**Production

Canon's production by product group are summarized as follows:

	Millions of yen	
	Six months ended June 30, 2008	
		Change from June 30, 2007(%)
	Production	
Business Machines	1,149,143	-4.5
Cameras	628,752	+7.9
Optical and other products	153,051	-1.2
Total	1,930,946	-0.5

Notes:

1. Amount of production is calculated by sales price.
2. Consumption tax is excluded from the stated amount of production.

Sales

Canon's sales by product group are summarized as follows:

	Millions of yen	
	Six months ended June 30, 2008	
		Change from June 30, 2007(%)
	Sales	
Business Machines	1,388,994	-4.0
Camera	529,411	+1.9
Optical and other products	195,027	-2.8
Total	2,113,432	-2.5

Notes:

- 1.

Consumption tax is excluded from the stated amount of net sales.

2. Canon's sales to significant customer are summarized as follows:

	Millions of yen			
	Six months ended June 30, 2008		Six months ended June 30, 2007	
	Sales	Proportion (%)	Sales	Proportion (%)
Hewlett-Packard Company	484,705	22.9	509,703	23.5

**(3) Managerial Issues to be Addressed**

There were no significant changes or new developments in Canon's managerial and financial issues to be addressed during the first half of 2008.

**(4) Crucial Business Contracts Engaged in the First Half of 2008**

Crucial business contracts engaged during the six months ended June 30, 2008 are as follows:

**Patents and Licenses**

Canon has been granted licenses with respect to patents of electrophotography and facsimile by Brother Industries, Ltd.

**Stock Purchase Agreement**

Canon entered into a stock purchase agreement with Hitachi, Ltd. ( Hitachi ) to acquire shares of Hitachi Displays, Ltd. ( Hitachi Displays ), a wholly-owned subsidiary of Hitachi, in February 2008. The Company subsequently acquired a 24.9% stake in Hitachi Displays in March 2008 based on the agreement.

Canon has plans to purchase additional proportion of outstanding stocks issued by Hitachi Displays, to consequently acquire Hitachi Displays as the Company's subsidiary, provided the discussion with Hitachi be coordinated and held in advance.

**(5) Research and Development Expenditure**

Canon is facing the third year of its Excellent Global Corporation Plan Phase III, pursuing sound growth by maintaining a high profit margin structure and further expanding the Company's corporate scale. While targeting medical sector, intelligent robot industry and safety technology as next-generation business domains, Canon is also strengthening relationships and collaborating with universities and other research institutes to reinforce fundamental research and develop cutting-edge technologies. Canon's research and development expenditures for the six months ended June 30, 2008 totaled ¥175,463 million.

Research and development expenditures by product group are summarized as follows:

	Millions of yen	
	Six months ended June 30	
	2008	2007
Business Machines	60,838	57,496
Cameras	23,628	22,184
Optical and other products	19,585	20,219
Corporate	71,412	70,368
Total	175,463	170,267

**III . Property, Plant and Equipment****(1) Major Property, Plant and Equipment**

There were no significant changes to the status of existing major property, plant and equipment during the first half of 2008.



**(2) Prospect of Capital Investment in Fiscal 2008**

There were no significant changes in the capital investment plans, which was originally decided at the end of the previous year, with regard to new construction or retirement of property, plant and equipment during the first half of 2008. There were no significant additional plans for new construction or retirement of these assets, during the first half of 2008.

**IV . Shares****(1) Shares**

Total number of authorized shares is 3,000,000,000 shares. The common stock of Canon is listed on the Tokyo, Osaka, Nagoya, Fukuoka, Sapporo and New York Stock Exchanges. Total issued shares are as follows:

	As of June 30, 2008	As of December 31, 2007
Total issued shares	1,333,711,360	1,333,636,210

Note:

The increase of the total issued shares during this term reflects the conversion of convertible debt into common stock.

**(2) Major Shareholders**

	As of June 30, 2008	
	Number of shares held (Number of shares)	Number of shares held / Number of shares issued
The Dai-Ichi Mutual Life Insurance Co.	93,312,600	7.00%
Moxley & Co. (Note 1)	67,300,984	5.04%
Japan Trustee Services Bank, Ltd. (Trust Account)	62,050,800	4.65%
The Master Trust Bank of Japan, Ltd. (Trust Account)	60,926,800	4.57%
Nomura Securities Co., Ltd.	41,078,233	3.08%
State Street Bank and Trust Company	38,904,359	2.92%
JPMorgan Chase Bank 380055	29,047,700	2.18%
Mizuho Corporate Bank, Ltd. (Notes 2 and 4)	28,419,736	2.13%
State Street Bank and Trust Company 505103	26,456,095	1.98%
Sompo Japan Insurance Inc.	22,910,347	1.72%

Notes:

1. Moxley & Co. is a nominee of JPMorgan Chase Bank, which is the depository of Canon's ADRs (American Depositary Receipts.)
2. Apart from the above shares, Mizuho Corporate Bank, Ltd. holds 7,704,000 shares contributed to a trust fund for its retirement and

severance plans.

3. Apart from the above shares, Canon holds 72,594,874 shares (5.44% of total issued shares) of Treasury stock.
4. Mizuho Corporate Bank, Ltd. and its three affiliated companies listed below submitted a revised report on large share holdings to the Kanto Local Finance Bureau on July 23, 2007 in their joint names and reported that they owned 71,888,936 shares (5.39%) of the Company as of July 13, 2007 in total as detailed the next page. However, the Company has not confirmed the status of these holdings as of June 30, 2008.

	As of July 13, 2007	
	Number of shares held (Number of shares)	Number of shares held / Number of shares issued
Mizuho Corporate Bank, Ltd.	36,123,736	2.71%
Mizuho Bank, Ltd.	8,853,000	0.66%
Mizuho Trust & Banking Co., Ltd.	24,149,600	1.81%
Dai-Ichi Kangyo Asset Management Co., Ltd. (Current Mizuho Asset Management Co., Ltd.)	2,762,600	0.21%
Total	71,888,936	5.39%

**(3) Stock Price Transition**

The following table sets forth the monthly reported high and low market prices of the Company's common stock on the Tokyo Stock Exchange for the first half of fiscal 2008:

	(Yen)					
	January	February	March	April	May	June
High	5,040	5,100	4,800	5,450	5,750	5,820
Low	4,190	4,230	4,100	4,560	5,150	5,290

**V. Financial Statements**

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CANON INC. AND SUBSIDIARIES  
 Consolidated Balance Sheets  
 as of June 30, 2008 and 2007, and December 31, 2007

	Millions of yen		
	2008	June 30 2007	December 31 2007
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	866,395	1,108,728	944,463
Short-term investments (Notes 2 and 7)	20,931	22,460	20,499
Trade receivables, net (Note 3)	703,690	729,298	794,240
Inventories (Note 4)	614,179	575,036	563,474
Prepaid expenses and other current assets (Note 6)	278,608	282,254	286,111
<b>Total current assets</b>	<b>2,483,803</b>	<b>2,717,776</b>	<b>2,608,787</b>
Noncurrent receivables (Note 12)	14,748	14,560	15,239
Investments (Note 2)	129,084	116,471	90,086
Property, plant and equipment, net (Note 5)	1,384,775	1,336,716	1,364,702
Other assets (Note 6)	445,786	422,991	433,811
<b>Total assets</b>	<b>4,458,196</b>	<b>4,608,514</b>	<b>4,512,625</b>

CANON INC. AND SUBSIDIARIES  
Consolidated Balance Sheets (continued)  
as of June 30, 2008 and 2007, and December 31, 2007

	Millions of yen		
	2008	June 30 2007	December 31 2007
<u>Liabilities and stockholders' equity</u>			
Current liabilities:			
Short-term loans and current portion of long-term debt (Note 7)	16,114	5,301	18,317
Trade payables (Note 8)	511,112	506,177	514,226
Accrued income taxes	106,407	135,090	150,726
Accrued expenses (Note 12)	316,407	318,330	357,525
Other current liabilities	182,574	215,850	215,911
Total current liabilities	1,132,614	1,180,748	1,256,705
Long-term debt, excluding current installments (Note 7)			
Accrued pension and severance cost	42,979	49,210	44,710
Other noncurrent liabilities	53,268	63,198	57,324
Total liabilities	1,238,999	1,309,446	1,367,419
Minority interests	211,268	224,701	222,870
Commitments and contingent liabilities (Note 12)			
Stockholders' equity:			
Common stock	174,736	174,674	174,698
(Number of authorized shares)	(3,000,000,000)	(3,000,000,000)	(3,000,000,000)
(Number of issued shares)	(1,333,711,360)	(1,333,588,114)	(1,333,636,210)
Additional paid-in capital	402,866	403,577	402,991
Legal reserve	52,500	45,730	46,017
Retained earnings	2,852,485	2,552,314	2,720,146
Accumulated other comprehensive income (loss) (Note 9)	(18,444)	104,169	34,670
Treasury stock, at cost	(456,214)	(206,097)	(456,186)
(Number of shares)	(72,594,874)	(32,993,191)	(72,588,428)
Total stockholders' equity	3,007,929	3,074,367	2,922,336
Total liabilities and stockholders' equity	4,458,196	4,608,514	4,512,625

CANON INC. AND SUBSIDIARIES  
Consolidated Statements of Income  
for the six months ended June 30, 2008 and 2007, and year ended December 31, 2007

Millions of yen  
Six months ended                      Year