

CANON INC  
Form 6-K  
July 29, 2010

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**Report of Foreign Issuer**  
**Pursuant to Rule 13a-16 or 15d-16 of**  
**the Securities Exchange Act of 1934**

For the month of ..... **July**..... , **2010**

**CANON INC.**

(Translation of registrant's name into English)  
30-2, Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F            Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
Yes                      No                     

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with  
Rule 12g3-2(b):82-

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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.... **July 27, 2010**....

By...../s/..... Masashiro Kobayashi .....  
(Signature)\*

Masashiro Kobayashi  
General Manager  
Global Finance Management Center  
Canon Inc.

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

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2010

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**CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND  
THE FIRST HALF ENDED JUNE 30, 2010**

July 27, 2010

**CONSOLIDATED RESULTS FOR THE SECOND QUARTER**

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

	Actual				
	Three months ended	Three months ended	Change(%)	Three months ended	
	June 30, 2010	June 30, 2009		June 30, 2010	
Net sales	¥ 970,358	¥ 793,785	+ 22.2	\$ 11,026,795	
Operating profit	113,438	44,906	+ 152.6	1,289,068	
Income before income taxes	112,651	35,492	+ 217.4	1,280,125	
Net income attributable to Canon Inc.	¥ 67,638	¥ 15,605	+ 333.4	\$ 768,614	

**Net income attributable to Canon Inc. stockholders per share:**

- Basic	¥ 54.67	¥ 12.64	+ 332.5	\$ 0.62
- Diluted	54.66	12.64	+ 332.4	0.62

**CONSOLIDATED RESULTS FOR THE FIRST HALF**

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

	Actual				Projected	
	Six months ended	Six months ended	Change(%)	Six months ended	Year ending December 31,	Change(%)
	June 30, 2010	June 30, 2009		June 30, 2010	2010	
Net sales	¥ 1,725,884	¥ 1,480,819	+ 16.5	\$ 19,612,318	¥ 3,750,000	+ 16.9
Operating profit	200,281	64,938	+ 208.4	2,275,920	360,000	+ 65.9
Income before income taxes	201,503	57,886	+ 248.1	2,289,807	360,000	+ 64.1
Net income attributable to Canon Inc.	¥ 124,449	¥ 33,349	+ 273.2	\$ 1,414,193	¥ 240,000	+ 82.3

**Net income attributable to Canon Inc. stockholders per share:**

- Basic	¥ 100.68	¥ 27.01	+ 272.8	\$ 1.14	¥ 193.53	+ 81.5
- Diluted	100.68	27.01	+ 272.8	1.14	-	-

Actual

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	<b>As of June 30, 2010</b>	<b>As of December 31, 2009</b>	<b>Change(%)</b>		<b>As of June 30, 2010</b>
<b>Total assets</b>	<b>¥ 4,016,902</b>	<b>¥ 3,847,557</b>	<b>+ 4.4</b>		<b>\$ 45,646,614</b>
<b>Canon Inc. stockholders equity</b>	<b>¥ 2,699,378</b>	<b>¥ 2,688,109</b>	<b>+ 0.4</b>		<b>\$ 30,674,750</b>

- 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 JPY88=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2010, solely for the convenience of the reader.

Canon Inc.  
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,  
Tokyo 146-8501, Japan  
Phone: +81-3-3758-2111

## **I. Operating Results and Financial Conditions**

### **2010 Second Quarter in Review**

Looking back at the global economy in the second quarter of 2010, economic conditions continued improving broadly amid the recovery trend from the second half of 2009. Although the pace of economic recovery in Europe has remained decidedly modest largely due to sluggish consumer spending triggered by the financial concerns of Greece and other Southern European nations, along with deteriorating unemployment conditions, the United States continued to record a recovery in consumer spending along with steady export growth, while Japan saw a rapid increase in exports, mainly to Asian countries. The Asian economies, such as those of China and India, along with other emerging countries, continued to display solid growth.

As for the markets in which Canon operates amid these conditions, within the office equipment market, as had occurred earlier with color-model network digital multifunction devices (MFDs), demand for monochrome models also finally headed toward recovery. Additionally, the market for laser printers achieved a turnaround compared with the previous year. As for the consumer products market, demand for digital single-lens reflex (SLR) cameras displayed healthy growth throughout most all global markets, while demand for compact digital cameras recovered in developed countries and grew steadily in emerging markets, such as those in Asia. With regard to inkjet printers, demand indicates a steady recovery trend with the market size expanding compared with the year-ago period. In the industry and others market, market conditions for semiconductor lithography equipment and liquid crystal display (LCD) lithography equipment were marked by an upturn in order placements, owing to improved sentiment within the semiconductor-device and LCD-panel markets. The average values of the yen during the second quarter and first half of the year were ¥91.96 and ¥91.35 to the U.S. dollar, respectively, year-on-year appreciations of approximately ¥5 and ¥4, and ¥116.34 and ¥120.20 to the euro, year-on-year appreciations of approximately ¥17 and ¥7.

Amid the effects of the strong yen, net sales for the quarter totaled ¥970.4 billion (U.S.\$11,027 million), an increase of 22.2% from the year-ago period, and ¥1,725.9 billion (U.S.\$19,612 million) for the first six months, a jump of 16.5%, owing to strong sales of such consumer products as digital SLR cameras, a strong recovery in sales of laser printers among office products, the turnaround within the industry and others market, and the impact of consolidation arising from corporate acquisitions, such as that of Océ N.V. Although the appreciation of the yen had a significant impact, the quarterly gross profit ratio rose 5.5 points year on year to 49.0%, and improved 5.4 points to 48.9% for the first half, mainly reflecting the launch of new products and ongoing cost-cutting efforts, along with heightened production turnover accompanying ramped up production. As a result, gross profit rose by 37.6% to ¥475.4 billion (U.S.\$5,402 million) for the second quarter and increased by 31.0% to ¥843.9 billion (U.S.\$9,590 million) for the six months ended June 30, 2010. Despite the impact of consolidation, Group-wide efforts to thoroughly cut spending contributed to an improvement in the operating expenses to sales ratio of 0.5 points to 37.3% for the quarter, and of 1.8 points to 37.3% for the first half of the year. Consequently, operating profit climbed approximately 2.5 fold to ¥113.4 billion (U.S.\$1,289 million) for the quarter, and approximately 3.1 fold to ¥200.3 billion (U.S.\$2,276 million) for the combined six-month period. Other income (deductions) recorded an increase due to an improvement in foreign currency exchange losses and earnings on investments in affiliates, leading to income before income taxes for the second quarter of ¥112.7 billion (U.S.\$1,280 million), an approximately 3.2-fold increase year on year, and ¥201.5 billion (U.S.\$2,290 million) for the six months ended June 30, 2010, an approximately 3.5-fold leap from the corresponding period of the previous year. Net income attributable to Canon Inc. surged approximately 4.3 fold to ¥67.6 billion (U.S.\$769 million) for the quarter, and 3.7 fold to ¥124.4 billion (U.S.\$1,414 million) for the first half.

Basic net income attributable to Canon Inc. stockholders per share for the quarter was ¥54.67 (U.S.\$0.62), an increase of ¥42.03 (U.S.\$0.48) compared with the corresponding quarter of the previous year, and ¥100.68 (U.S.\$1.14) for the first half of 2010, a year-on-year increase of ¥73.67 (U.S.\$0.84).

**Results by Segment**

Looking at Canon's quarterly performance by business sector, within the Office Business Unit, while sales volume of color network digital MFDs increased by 39% boosted by the recovery in demand for office equipment along with the introduction of new image RUNNER ADVANCE-series products, sales volume for monochrome models increased by 21% reflecting the recovering market conditions. Laser printers, which suffered sluggish sales in the corresponding quarter of the previous year largely due to an adjustment of inventory levels, realized a significant increase in sales volume of 103%, almost double that of the previous year. Consequently, despite the significant effects of the strong yen, second-quarter sales for the segment totaled ¥521.9 billion (U.S.\$5,931 million), growing 31.3% year on year, and ¥931.1 billion (U.S.\$10,580 million) for the six months ended June 30, 2010, an increase of 19.9%. Operating profit increased 98.0% to ¥83.8 billion (U.S.\$952 million) for the second quarter, and 72.8% to ¥155.9 billion (U.S.\$1,771 million) for the combined six months of the year, mainly as a result of expanded sales and the sharp rise in the gross profit ratio.

Within the Consumer Business Unit, sales volumes of such new digital SLR cameras as the competitively priced EOS Digital Rebel T1i (EOS 500D) and the new EOS Digital Rebel T2i (EOS 550D), along with the EOS 5D Mark II and EOS 7D advanced-amateur models, sustained healthy growth. As for compact digital cameras, the Company launched four new ELPH (IXUS)-series models and five new PowerShot-series models, boosting sales volumes particularly in emerging markets. Consequently, sales volume for digital cameras recorded a year-on-year increase of 9%. With respect to inkjet printers, sales displayed solid growth, particularly in Asia, amid the market recovery, contributing to an increase in sales volume of 4%. Although the appreciation of the yen had a strong impact, sales for the segment rose 9.8% year on year to ¥364.0 billion (U.S.\$4,137 million), and 14.0% to ¥654.3 billion (U.S.\$7,435 million) for the six-month period. Operating profit increased by 71.6% to ¥66.9 billion (U.S.\$761 million) for the quarter, and 101.3% to ¥114.3 billion (U.S.\$1,298 million) for the first half, largely reflecting increased sales and the rise in the gross profit ratio.

In the Industry and Others Business Unit, independent business-related sales of Group subsidiaries increased in line with the turnaround in business conditions while sales volume of LCD lithography equipment grew appreciably, stimulated by the revival of the market. Sales volume of semiconductor lithography equipment, while remaining at a low level, also gained modestly. As a result, sales for the segment grew 27.5% to ¥108.9 billion (U.S.\$1,238 million) for the quarter and 11.6% to ¥191.3 billion (U.S.\$2,173 million) for the combined six months. Operating loss improved by ¥2.7 billion (U.S.\$31 million) to ¥5.4 billion (U.S.\$62 million) for the quarter and totaled ¥8.4 billion (U.S.\$95 million) for the six-month period, a turnaround of ¥15.4 billion (U.S.\$175 million) year on year owing to expanded sales combined with a reduction in expenses.

**Cash Flow**

During the first half of 2010, cash flows from operating activities totaled ¥348.6 billion (U.S.\$3,961 million), an increase of ¥159.9 billion (U.S.\$1,817 million) from the year-ago period, mainly due to the significant increase in profit. Although investments, such as for the acquisition of shares of Océ N.V. to strengthen the printing business, increased substantially, capital investment was focused on items relevant to introducing new products, which led to a year-on-year decrease of cash flows from investing activities of ¥41.3 billion (U.S.\$470 million) to ¥177.0 billion (U.S.\$2,011 million). Accordingly, free cash flows totaled ¥171.6 billion (U.S.\$1,950 million), an increase of ¥201.2 billion (U.S.\$2,287 million) from the corresponding year-ago period.

Cash flows from financing activities recorded an outlay of ¥150.6 billion (U.S.\$1,711 million), mainly arising from the dividend payout coupled with the partial repayment of borrowings of Océ N.V. Cash and cash equivalents decreased by ¥23.3 billion (U.S.\$265 million) to ¥771.7 billion (U.S.\$8,769 million) from the end of the previous year due to the foreign currency translation adjustments stemming from the strong yen.

**Outlook**

As for the outlook in the third quarter and thereafter, although developed countries, especially in Europe, face uncertainty regarding future prospects due to such factors as fiscal challenges and employment problems, those economies appear to be steadily headed for recovery with China and other emerging nations, which are expected to fuel global growth, likely to continue enjoying healthy expansion.

In the businesses in which Canon is involved, within the office equipment market, demand for such products as color network digital MFDs and laser printers are projected to head toward a full-fledged recovery. With respect to the consumer products market, demand for digital SLR cameras and compact digital cameras is expected to achieve solid growth while sales of inkjet printers will likely expand gradually in response to the economic turnaround. As for the industry and others market, demand for semiconductor lithography equipment is expected to regain momentum as device makers begin investing again while demand for LCD lithography equipment is also expected to increase sharply as LCD panel manufacturers gear up to boost production.

With regard to currency exchange rates for the third quarter onward, on which Canon's performance outlook is based, despite the effects of the financial concerns of Greece and other Southern European nations, along with uncertainty over future interest rate policies for major countries and other factors, Canon anticipates exchange rates for the period of ¥90 to the U.S. dollar and ¥110 to the euro, representing appreciations of approximately ¥1 against the U.S. dollar, and approximately ¥23 against the euro compared with the previous year. Upon taking into consideration current business sentiment based on these foreign exchange rate assumptions, Canon maintains its previous projections: net sales of ¥3,750.0 billion (U.S.\$42,614 million), a year-on-year increase of 16.9%; operating profit of ¥360.0 billion (U.S.\$4,091 million), a year-on-year increase of 65.9%; income before income taxes of ¥360.0 billion (U.S.\$4,091 million), a year-on-year increase of 64.1%; and net income attributable to Canon Inc. of ¥240.0 billion (U.S.\$2,727 million), a year-on-year increase of 82.3%.

**Consolidated Outlook****Fiscal year**

	Millions of yen				
	Year ending		Change	Year ended December 31, 2009	Change (%)
	December 31, 2010				
	Previous Outlook (A)	Revised Outlook (B)	(B - A)	Results (C)	(B - C) / C
Net sales	¥ 3,750,000	¥ 3,750,000	¥ 0	¥ 3,209,201	+ 16.9%
Operating profit	360,000	360,000	0	217,055	+ 65.9%
Income before income taxes	360,000	360,000	0	219,355	+ 64.1%
Net income attributable to Canon Inc.	¥ 240,000	¥ 240,000	¥ 0	¥ 131,647	+ 82.3%

**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 planned future investments, free cash flow, and the company's consolidated business performance. Specifically, Canon's medium- to long-term objective is to continuously strive to raise its consolidated payout ratio to approximately 30%.

The company plans to distribute an interim dividend of ¥55.00 (U.S.\$0.63) per share for fiscal 2010, the same amount per share as fiscal 2009, 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, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

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

	Millions of yen			Thousands of U.S. dollars
	As of June 30, 2010	As of December 31, 2009	Change	As of June 30, 2010
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	¥ 771,697	¥ 795,034	¥ (23,337)	\$ 8,769,284
Short-term investments	35,264	19,089	16,175	400,727
Trade receivables, net	547,961	556,572	(8,611)	6,226,830
Inventories	427,767	373,241	54,526	4,860,989
Prepaid expenses and other current assets	295,678	273,843	21,835	3,359,977
<b>Total current assets</b>	<b>2,078,367</b>	<b>2,017,779</b>	<b>60,588</b>	<b>23,617,807</b>
Noncurrent receivables	15,789	14,936	853	179,420
Investments	86,426	114,066	(27,640)	982,114
Property, plant and equipment, net	1,263,422	1,269,785	(6,363)	14,357,068
Intangible assets, net	170,158	117,396	52,762	1,933,614
Other assets	402,740	313,595	89,145	4,576,591
<b>Total assets</b>	<b>¥4,016,902</b>	<b>¥ 3,847,557</b>	<b>¥ 169,345</b>	<b>\$ 45,646,614</b>
<b>LIABILITIES AND EQUITY</b>				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 6,834	¥ 4,869	¥ 1,965	\$ 77,659
Trade payables	385,682	339,113	46,569	4,382,750
Accrued income taxes	66,818	50,105	16,713	759,295
Accrued expenses	280,191	274,300	5,891	3,183,989
Other current liabilities	137,368	115,303	22,065	1,561,000
<b>Total current liabilities</b>	<b>876,893</b>	<b>783,690</b>	<b>93,203</b>	<b>9,964,693</b>
Long-term debt, excluding current installments	5,444	4,912	532	61,864
Accrued pension and severance cost	177,412	115,904	61,508	2,016,046
Other noncurrent liabilities	80,870	63,651	17,219	918,977
<b>Total liabilities</b>	<b>1,140,619</b>	<b>968,157</b>	<b>172,462</b>	<b>12,961,580</b>

## Equity:

## Canon Inc. stockholders' equity:

Common stock	<b>174,762</b>	174,762	-	<b>1,985,932</b>
Additional paid-in capital	<b>407,031</b>	404,293	2,738	<b>4,625,352</b>
Legal reserve	<b>55,291</b>	54,687	604	<b>628,307</b>
Retained earnings	<b>2,918,817</b>	2,871,437	47,380	<b>33,168,375</b>
Accumulated other comprehensive income (loss)	<b>(333,405)</b>	(260,818)	(72,587)	<b>(3,788,693)</b>
Treasury stock, at cost	<b>(523,118)</b>	(556,252)	33,134	<b>(5,944,523)</b>
Total Canon Inc. stockholders' equity	<b>2,699,378</b>	2,688,109	11,269	<b>30,674,750</b>
Noncontrolling interests	<b>176,905</b>	191,291	(14,386)	<b>2,010,284</b>
Total equity	<b>2,876,283</b>	2,879,400	(3,117)	<b>32,685,034</b>
Total liabilities and equity	<b>¥4,016,902</b>	¥ 3,847,557	¥ 169,345	<b>\$ 45,646,614</b>

	Millions of yen		Thousands of U.S. dollars
	As of June 30, 2010	As of December 31, 2009	As of June 30, 2010
Notes:			
1. Allowance for doubtful receivables	¥ <b>16,250</b>	¥ 11,343	<b>\$ 184,659</b>
2. Accumulated depreciation	<b>1,861,721</b>	1,815,982	<b>21,155,920</b>
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	<b>(275,371)</b>	(202,628)	<b>(3,129,216)</b>
Net unrealized gains and losses on securities	<b>1,700</b>	3,285	<b>19,318</b>
Net gains and losses on derivative instruments	<b>2,033</b>	71	<b>23,102</b>
Pension liability adjustments	<b>(61,767)</b>	(61,546)	<b>(701,897)</b>

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. CONSOLIDATED STATEMENTS OF INCOME**Results for the second quarter**

	Millions of yen			Thousands of U.S. dollars
	<b>Three months ended June 30, 2010</b>	Three months ended June 30, 2009	Change(%)	<b>Three months ended June 30, 2010</b>
Net sales	¥ <b>970,358</b>	¥ 793,785	+ 22.2	\$ <b>11,026,795</b>
Cost of sales	<b>494,995</b>	448,320		<b>5,624,943</b>
Gross profit	<b>475,363</b>	345,465	+ 37.6	<b>5,401,852</b>
Operating expenses:				
Selling, general and administrative expenses	<b>280,033</b>	219,742		<b>3,182,193</b>
Research and development expenses	<b>81,892</b>	80,817		<b>930,591</b>
	<b>361,925</b>	300,559		<b>4,112,784</b>
Operating profit	<b>113,438</b>	44,906	+ 152.6	<b>1,289,068</b>
Other income (deductions):				
Interest and dividend income	<b>1,722</b>	1,357		<b>19,568</b>
Interest expense	<b>(867)</b>	(137)		<b>(9,852)</b>
Other, net	<b>(1,642)</b>	(10,634)		<b>(18,659)</b>
	<b>(787)</b>	(9,414)		<b>(8,943)</b>
Income before income taxes	<b>112,651</b>	35,492	+ 217.4	<b>1,280,125</b>
Income taxes	<b>43,858</b>	17,346		<b>498,386</b>
Consolidated net income	<b>68,793</b>	18,146		<b>781,739</b>
Less: Net income attributable to noncontrolling interests	<b>1,155</b>	2,541		<b>13,125</b>
Net income attributable to Canon Inc.	¥ <b>67,638</b>	¥ 15,605	+ 333.4	\$ <b>768,614</b>

Note: Consolidated comprehensive income for the three months ended June 30, 2010 and 2009 was JPY 5,095 million (decrease) (U.S.\$ 57,898 thousand (decrease)) and JPY 37,400 million (increase), respectively.

**Results for the first half**

	Millions of yen			Thousands of U.S. dollars
	<b>Six months ended</b>	Six months ended	Change(%)	<b>Six months ended</b>

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	<b>June 30, 2010</b>	June 30, 2009		<b>June 30, 2010</b>
Net sales	<b>¥1,725,884</b>	¥ 1,480,819	+ 16.5	<b>\$ 19,612,318</b>
Cost of sales	<b>881,953</b>	836,540		<b>10,022,193</b>
Gross profit	<b>843,931</b>	644,279	+ 31.0	<b>9,590,125</b>
Operating expenses:				
Selling, general and administrative expenses	<b>490,825</b>	425,735		<b>5,577,557</b>
Research and development expenses	<b>152,825</b>	153,606		<b>1,736,648</b>
	<b>643,650</b>	579,341		<b>7,314,205</b>
Operating profit	<b>200,281</b>	64,938	+ 208.4	<b>2,275,920</b>
Other income (deductions):				
Interest and dividend income	<b>2,743</b>	2,791		<b>31,171</b>
Interest expense	<b>(953)</b>	(221)		<b>(10,830)</b>
Other, net	<b>(568)</b>	(9,622)		<b>(6,454)</b>
	<b>1,222</b>	(7,052)		<b>13,887</b>
Income before income taxes	<b>201,503</b>	57,886	+ 248.1	<b>2,289,807</b>
Income taxes	<b>73,975</b>	24,105		<b>840,625</b>
Consolidated net income	<b>127,528</b>	33,781		<b>1,449,182</b>
Less: Net income attributable to noncontrolling interests	<b>3,079</b>	432		<b>34,989</b>
Net income attributable to Canon Inc.	<b>¥ 124,449</b>	¥ 33,349	+ 273.2	<b>\$ 1,414,193</b>

Note: Consolidated comprehensive income for the six months ended June 30, 2010 and 2009 was JPY 52,747 million (increase) (U.S.\$ 599,398 thousand (increase)) and JPY 91,273 million (increase), respectively.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. DETAILS OF SALESResults for the second quarter

Sales by business unit	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30, 2010	Three months ended June 30, 2009	Change(%)	Three months ended June 30, 2010
Office	¥ 521,943	¥ 397,630	+ 31.3	\$ 5,931,170
Consumer	364,027	331,542	+ 9.8	4,136,670
Industry and Others	108,930	85,464	+ 27.5	1,237,841
Eliminations	(24,542)	(20,851)	-	(278,886)
Total	¥ 970,358	¥ 793,785	+ 22.2	\$ 11,026,795

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30, 2010	Three months ended June 30, 2009	Change(%)	Three months ended June 30, 2010
Japan	¥ 170,145	¥ 173,378	- 1.9	\$ 1,933,466
Overseas:				
<i>Americas</i>	269,939	225,529	+ 19.7	3,067,489
<i>Europe</i>	310,969	239,108	+ 30.1	3,533,739
<i>Other areas</i>	219,305	155,770	+ 40.8	2,492,101
	800,213	620,407	+ 29.0	9,093,329
Total	¥ 970,358	¥ 793,785	+ 22.2	\$ 11,026,795

Results for the first half

Sales by business unit	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2010	Six months ended June 30, 2009	Change(%)	Six months ended June 30, 2010
Office	¥ 931,077	¥ 776,300	+ 19.9	\$ 10,580,420
Consumer	654,314	573,934	+ 14.0	7,435,386
Industry and Others	191,258	171,318	+ 11.6	2,173,386

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Eliminations	(50,765)	(40,733)	-	(576,874)
Total	¥1,725,884	¥ 1,480,819	+ 16.5	\$ 19,612,318

Sales by region	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2010	Six months ended June 30, 2009	Change(%)	Six months ended June 30, 2010
Japan	¥ 337,661	¥ 342,882	- 1.5	\$ 3,837,057
Overseas:				
Americas	474,494	401,860	+ 18.1	5,391,977
Europe	541,647	449,175	+ 20.6	6,155,080
Other areas	372,082	286,902	+ 29.7	4,228,204
	1,388,223	1,137,937	+ 22.0	15,775,261
Total	¥1,725,884	¥ 1,480,819	+ 16.5	\$ 19,612,318

- Notes: 1. The primary products included in each of the segments are as follows:
- Office : Office network digital multifunction devices (MFDs) / Color network digital MFDs / Personal-use network digital MFDs / Office copying machines / Full-color copying machines / Personal-use copying machines / Laser printers / Large format inkjet printers
  - Consumer : Digital SLR cameras / Compact digital cameras / Interchangeable lenses / Digital video camcorders / Inkjet multifunction peripherals / Single function inkjet printers / Image scanners / Broadcasting equipment
  - Industry and Others : Semiconductor lithography equipment / LCD lithography equipment / Medical image recording equipment / Magnetic heads / Micromotors / Computers / Handy terminals / Document scanners / Calculators
2. The principal countries and regions included in each regional category are as follows:
- Americas: United States of America, Canada, Latin America / Europe: England, Germany, France, Netherlands / Other Areas: Asian regions, China, Oceania

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	<b>Six months ended June 30, 2010</b>	Six months ended June 30, 2009	<b>Six months ended June 30, 2010</b>
Cash flows from operating activities:			
Consolidated net income	¥ 127,528	¥ 33,781	\$ 1,449,182
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	125,968	155,003	1,431,455
(Gain) loss on disposal of property, plant and equipment	4,597	(2,977)	52,239
Deferred income taxes	4,911	11,367	55,807
Decrease in trade receivables	15,598	101,401	177,250
(Increase) decrease in inventories	(49,876)	98,766	(566,773)
Increase (decrease) in trade payables	87,995	(146,775)	999,943
Increase (decrease) in accrued income taxes	19,734	(52,879)	224,250
Decrease in accrued expenses	(24,228)	(40,676)	(275,318)
Increase in accrued (prepaid) pension and severance cost	2,605	824	29,602
Other, net	33,743	30,866	383,443
Net cash provided by operating activities	348,575	188,701	3,961,080
Cash flows from investing activities:			
Purchases of fixed assets	(96,783)	(195,449)	(1,099,807)
Proceeds from sale of fixed assets	1,306	8,450	14,841
Purchases of available-for-sale securities	(9,028)	(50)	(102,591)
Proceeds from sale and maturity of available-for-sale securities	24	241	273
Increase in time deposits, net	(16,840)	(20,153)	(191,364)
Acquisitions of subsidiaries, net of cash acquired	(55,533)	(2,979)	(631,057)
Purchases of other investments	(505)	(10,133)	(5,739)
Other, net	377	1,741	4,285
Net cash used in investing activities	(176,982)	(218,332)	(2,011,159)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	3,107	2,228	35,307
Repayments of long-term debt	(2,751)	(3,232)	(31,261)
Decrease in short-term loans, net	(76,661)	(204)	(871,148)
Dividends paid	(67,897)	(67,897)	(771,557)
Repurchases of treasury stock, net	(5,022)	(18)	(57,068)
Other, net	(1,381)	(2,237)	(15,693)

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Net cash used in financing activities	<b>(150,605)</b>	(71,360)	<b>(1,711,420)</b>
Effect of exchange rate changes on cash and cash equivalents	<b>(44,325)</b>	25,360	<b>(503,694)</b>
Net change in cash and cash equivalents	<b>(23,337)</b>	(75,631)	<b>(265,193)</b>
Cash and cash equivalents at beginning of period	<b>795,034</b>	679,196	<b>9,034,477</b>
Cash and cash equivalents at end of period	<b>¥ 771,697</b>	¥ 603,565	<b>\$ 8,769,284</b>

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. NOTE FOR GOING CONCERN ASSUMPTION

Not applicable.

6. SEGMENT INFORMATION

## (1) SEGMENT INFORMATION BY BUSINESS UNIT

Results for the second quarter

Millions of yen

Thousands  
of  
U.S. dollars  
**Three  
months  
ended  
June 30,  
2010**

	<b>Three months ended June 30, 2010</b>	Three months ended June 30, 2009	Change(%)	
<b>Office</b>				
Net sales:				
External customers	¥ 521,061	¥ 395,485	+ 31.8	\$ 5,921,148
Intersegment	882	2,145	- 58.9	10,022
Total	521,943	397,630	+ 31.3	5,931,170
Operating cost and expenses	438,159	355,321	+ 23.3	4,979,079
Operating profit	¥ 83,784	¥ 42,309	+ 98.0	\$ 952,091
<b>Consumer</b>				
Net sales:				
External customers	¥ 363,562	¥ 331,148	+ 9.8	\$ 4,131,386
Intersegment	465	394	+ 18.0	5,284
Total	364,027	331,542	+ 9.8	4,136,670
Operating cost and expenses	297,094	292,526	+ 1.6	3,376,068
Operating profit	¥ 66,933	¥ 39,016	+ 71.6	\$ 760,602
<b>Industry and Others</b>				
Net sales:				
External customers	¥ 85,735	¥ 67,152	+ 27.7	\$ 974,261
Intersegment	23,195	18,312	+ 26.7	263,580
Total	108,930	85,464	+ 27.5	1,237,841
Operating cost and expenses	114,354	93,622	+ 22.1	1,299,477

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Operating profit (loss)	¥ (5,424)	¥ (8,158)	-	\$ (61,636)
<b>Corporate and Eliminations</b>				
Net sales:				
External customers	¥ -	¥ -	-	\$ -
Intersegment	(24,542)	(20,851)	-	(278,886)
Total	(24,542)	(20,851)	-	(278,886)
Operating cost and expenses	7,313	7,410	-	83,103
Operating profit	¥ (31,855)	¥ (28,261)	-	\$ (361,989)
<b>Consolidated</b>				
Net sales:				
External customers	¥ 970,358	¥ 793,785	+ 22.2	\$ 11,026,795
Intersegment	-	-	-	-
Total	970,358	793,785	+ 22.2	11,026,795
Operating cost and expenses	856,920	748,879	+ 14.4	9,737,727
Operating profit	¥ 113,438	¥ 44,906	+ 152.6	\$ 1,289,068

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## CANON INC. AND SUBSIDIARIES

## CONSOLIDATED

**Results for the first half**

Millions of yen

Thousands  
of  
U.S. dollars  
**Six months  
ended  
June 30,  
2010**

	<b>Six months ended June 30, 2010</b>	Six months ended June 30, 2009	Change(%)	
<b>Office</b>				
Net sales:				
External customers	¥ 926,577	¥ 771,647	+ 20.1	\$ 10,529,284
Intersegment	4,500	4,653	- 3.3	51,136
Total	931,077	776,300	+ 19.9	10,580,420
Operating cost and expenses	775,206	686,089	+ 13.0	8,809,159
Operating profit	¥ 155,871	¥ 90,211	+ 72.8	\$ 1,771,261
<b>Consumer</b>				
Net sales:				
External customers	¥ 653,291	¥ 573,041	+ 14.0	\$ 7,423,761
Intersegment	1,023	893	+ 14.6	11,625
Total	654,314	573,934	+ 14.0	7,435,386
Operating cost and expenses	540,048	517,164	+ 4.4	6,136,909
Operating profit	¥ 114,266	¥ 56,770	+ 101.3	\$ 1,298,477
<b>Industry and Others</b>				
Net sales:				
External customers	¥ 146,016	¥ 136,131	+ 7.3	\$ 1,659,273
Intersegment	45,242	35,187	+ 28.6	514,113
Total	191,258	171,318	+ 11.6	2,173,386
Operating cost and expenses	199,637	195,117	+ 2.3	2,268,602
Operating profit (loss)	¥ (8,379)	¥ (23,799)	-	\$ (95,216)

**Corporate and Eliminations**

Net sales:

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External customers	¥ -	¥ -	-	\$ -
Intersegment	(50,765)	(40,733)	-	(576,874)
Total	(50,765)	(40,733)	-	(576,874)
Operating cost and expenses	10,712	17,511	-	121,728
Operating profit	¥ (61,477)	¥ (58,244)	-	\$ (698,602)
<b>Consolidated</b>				
Net sales:				
External customers	¥ 1,725,884	¥ 1,480,819	+ 16.5	\$ 19,612,318
Intersegment	-	-	-	-
Total	1,725,884	1,480,819	+ 16.5	19,612,318
Operating cost and expenses	1,525,603	1,415,881	+ 7.7	17,336,398
Operating profit	¥ 200,281	¥ 64,938	+ 208.4	\$ 2,275,920

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## (2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

<b><u>Results for the second quarter</u></b>	Millions of yen			Thousands of U.S. dollars
	<b>Three months ended June 30, 2010</b>	Three months ended June 30, 2009	Change(%)	<b>Three months ended June 30, 2010</b>
<b>Japan</b>				
Net sales:				
External customers	¥ 215,079	¥ 202,506	+ 6.2	\$ 2,444,080
Intersegment	518,487	415,184	+ 24.9	5,891,897
Total	733,566	617,690	+ 18.8	8,335,977
Operating cost and expenses	618,506	569,314	+ 8.6	7,028,477
Operating profit	¥ 115,060	¥ 48,376	+ 137.8	\$ 1,307,500
<b>Americas</b>				
Net sales:				
External customers	¥ 265,607	¥ 220,095	+ 20.7	\$ 3,018,261
Intersegment	788	187	+ 321.4	8,955
Total	266,395	220,282	+ 20.9	3,027,216
Operating cost and expenses	258,837	218,374	+ 18.5	2,941,330
Operating profit	¥ 7,558	¥ 1,908	+ 296.1	\$ 85,886
<b>Europe</b>				
Net sales:				
External customers	¥ 309,486	¥ 238,750	+ 29.6	\$ 3,516,886
Intersegment	932	502	+ 85.7	10,591
Total	310,418	239,252	+ 29.7	3,527,477
Operating cost and expenses	297,294	234,078	+ 27.0	3,378,341
Operating profit	¥ 13,124	¥ 5,174	+ 153.7	\$ 149,136

**Others**

Net sales:

External customers	¥ 180,186	¥ 132,434	+ 36.1	\$ 2,047,568
Intersegment	184,022	117,943	+ 56.0	2,091,159
Total	364,208	250,377	+ 45.5	4,138,727
Operating cost and expenses	350,070	240,985	+ 45.3	3,978,068
Operating profit	¥ 14,138	¥ 9,392	+ 50.5	\$ 160,659

**Corporate and Eliminations**

Net sales:

External customers	¥ -	¥ -	-	\$ -
Intersegment	(704,229)	(533,816)	-	(8,002,602)
Total	(704,229)	(533,816)	-	(8,002,602)
Operating cost and expenses	(667,787)	(513,872)	-	(7,588,489)
Operating profit	¥ (36,442)	¥ (19,944)	-	\$ (414,113)

**Consolidated**

Net sales:

External customers	¥ 970,358	¥ 793,785	+ 22.2	\$ 11,026,795
Intersegment	-	-	-	-
Total	970,358	793,785	+ 22.2	11,026,795
Operating cost and expenses	856,920	748,879	+ 14.4	9,737,727
Operating profit	¥ 113,438	¥ 44,906	+ 152.6	\$ 1,289,068

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

**Results for the first half**

Millions of yen

Thousands  
of  
U.S. dollars  
**Six months  
ended  
June 30,  
2010**

	<b>Six months ended June 30, 2010</b>	Six months ended June 30, 2009	Change(%)	
<b>Japan</b>				
Net sales:				
External customers	¥ 404,462	¥ 416,201	- 2.8	\$ 4,596,159
Intersegment	952,682	719,475	+ 32.4	10,825,932
Total	1,357,144	1,135,676	+ 19.5	15,422,091
Operating cost and expenses	1,146,939	1,054,986	+ 8.7	13,033,398
Operating profit	¥ 210,205	¥ 80,690	+ 160.5	\$ 2,388,693
<b>Americas</b>				
Net sales:				
External customers	¥ 466,654	¥ 391,236	+ 19.3	\$ 5,302,886
Intersegment	1,112	965	+ 15.2	12,636
Total	467,766	392,201	+ 19.3	5,315,522
Operating cost and expenses	456,262	390,432	+ 16.9	5,184,795
Operating profit	¥ 11,504	¥ 1,769	+ 550.3	\$ 130,727
<b>Europe</b>				
Net sales:				
External customers	¥ 538,336	¥ 447,612	+ 20.3	\$ 6,117,455
Intersegment	2,188	937	+ 133.5	24,863
Total	540,524	448,549	+ 20.5	6,142,318
Operating cost and expenses	520,566	435,064	+ 19.7	5,915,523
Operating profit	¥ 19,958	¥ 13,485	+ 48.0	\$ 226,795

**Others**

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Net sales:				
External customers	¥ 316,432	¥ 225,770	+ 40.2	\$ 3,595,818
Intersegment	335,783	208,295	+ 61.2	3,815,717
Total	652,215	434,065	+ 50.3	7,411,535
Operating cost and expenses	627,262	420,583	+ 49.1	7,127,978
Operating profit	¥ 24,953	¥ 13,482	+ 85.1	\$ 283,557
<b>Corporate and Eliminations</b>				
Net sales:				
External customers	¥ -	¥ -	-	\$ -
Intersegment	(1,291,765)	(929,672)	-	(14,679,148)
Total	(1,291,765)	(929,672)	-	(14,679,148)
Operating cost and expenses	(1,225,426)	(885,184)	-	(13,925,296)
Operating profit	¥ (66,339)	¥ (44,488)	-	\$ (753,852)
<b>Consolidated</b>				
Net sales:				
External customers	¥ 1,725,884	¥ 1,480,819	+ 16.5	\$ 19,612,318
Intersegment	-	-	-	-
Total	1,725,884	1,480,819	+ 16.5	19,612,318
Operating cost and expenses	1,525,603	1,415,881	+ 7.7	17,336,398
Operating profit	¥ 200,281	¥ 64,938	+ 208.4	\$ 2,275,920

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. SIGNIFICANT CHANGES IN CANON INC. STOCKHOLDERS EQUITY

None.

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

## 1. Number of Group Companies

	June 30, 2010	December 31, 2009	Change
Subsidiaries	308	241	67
Affiliates	15	15	-
Total	323	256	67

## 2. Change in Group Entities

## Subsidiaries

Addition: 82 companies

Removal: 15 companies

## Affiliates (Carried at Equity Basis)

Addition: 3 companies

Removal: 3 companies

## 3. Subsidiaries Listed on Domestic Stock Exchange

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

Osaka Securities Exchange (2nd section): Canon Machinery Inc.

JASDAQ: Tokki Corporation

(2) SIGNIFICANT ACCOUNTING POLICIES

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

Canon Inc.

July 27, 2010

CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER  
AND THE FIRST HALF ENDED JUNE 30, 2010  
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, 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.

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Canon Inc.

**1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT**

(Millions of yen)

	2010			2009			Change year over year		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year	2nd quarter	1st half	Year
<b>Japan</b>									
Office	96,246	191,760	-	94,881	192,298	374,275	+1.4%	-0.3%	-
Consumer	50,454	96,631	-	52,203	97,157	219,036	-3.4%	-0.5%	-
Industry and Others	23,445	49,270	-	26,294	53,427	109,033	-10.8%	-7.8%	-
Total	170,145	337,661	716,700	173,378	342,882	702,344	-1.9%	-1.5%	+2.0%
<b>Overseas</b>									
Office	424,815	734,817	-	300,604	579,349	1,260,781	+41.3%	+26.8%	-
Consumer	313,108	556,660	-	278,945	475,884	1,080,158	+12.2%	+17.0%	-
Industry and Others	62,290	96,746	-	40,858	82,704	165,918	+52.5%	+17.0%	-
Total	800,213	1,388,223	3,033,300	620,407	1,137,937	2,506,857	+29.0%	+22.0%	+21.0%
<b>Americas</b>									
Office	155,172	274,729	-	117,314	222,295	485,180	+32.3%	+23.6%	-
Consumer	104,403	180,568	-	96,723	159,407	367,035	+7.9%	+13.3%	-
Industry and Others	10,364	19,197	-	11,492	20,158	41,939	-9.8%	-4.8%	-
Total	269,939	474,494	1,051,900	225,529	401,860	894,154	+19.7%	+18.1%	+17.6%
<b>Europe</b>									
Office	197,298	335,150	-	129,686	259,559	565,656	+52.1%	+29.1%	-
Consumer	106,390	192,573	-	103,896	177,825	405,173	+2.4%	+8.3%	-
Industry and Others	7,281	13,924	-	5,526	11,791	24,321	+31.8%	+18.1%	-

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Total	310,969	541,647	1,164,700	239,108	449,175	995,150	+30.1%	+20.6%	+17.0%
<b>Other areas</b>									
Office	72,345	124,938	-	53,604	97,495	209,945	+35.0%	+28.1%	-
Consumer	102,315	183,519	-	78,326	138,652	307,950	+30.6%	+32.4%	-
Industry and Others	44,645	63,625	-	23,840	50,755	99,658	+87.3%	+25.4%	-
Total	219,305	372,082	816,700	155,770	286,902	617,553	+40.8%	+29.7%	+32.2%
<b>Intersegment</b>									
Office	882	4,500	-	2,145	4,653	10,020	-58.9%	-3.3%	-
Consumer	465	1,023	-	394	893	1,966	+18.0%	+14.6%	-
Industry and Others	23,195	45,242	-	18,312	35,187	83,047	+26.7%	+28.6%	-
Eliminations	(24,542)	(50,765)	-	(20,851)	(40,733)	(95,033)	-	-	-
Total	0	0	0	0	0	0	-	-	-
<b>Total</b>									
Office	521,943	931,077	2,015,100	397,630	776,300	1,645,076	+31.3%	+19.9%	+22.5%
Consumer	364,027	654,314	1,400,000	331,542	573,934	1,301,160	+9.8%	+14.0%	+7.6%
Industry and Others	108,930	191,258	409,500	85,464	171,318	357,998	+27.5%	+11.6%	+14.4%
Eliminations	(24,542)	(50,765)	(74,600)	(20,851)	(40,733)	(95,033)	-	-	-
Total	970,358	1,725,884	3,750,000	793,785	1,480,819	3,209,201	+22.2%	+16.5%	+16.9%

(P)=Projection

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Canon Inc.

**2. SEGMENT INFORMATION BY BUSINESS UNIT**

(Millions of yen)

	2010			2009			Change year over year		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year	2nd quarter	1st half	Year
<b>Office</b>									
External customers	521,061	926,577	2,008,100	395,485	771,647	1,635,056	+31.8%	+20.1%	+22.8%
Intersegment	882	4,500	7,000	2,145	4,653	10,020	-58.9%	-3.3%	-30.1%
Total sales	521,943	931,077	2,015,100	397,630	776,300	1,645,076	+31.3%	+19.9%	+22.5%
Operating profit	83,784	155,871	285,000	42,309	90,211	229,396	+98.0%	+72.8%	+24.2%
% of sales	16.1%	16.7%	14.1%	10.6%	11.6%	13.9%	-	-	-
<b>Consumer</b>									
External customers	363,562	653,291	1,397,800	331,148	573,041	1,299,194	+9.8%	+14.0%	+7.6%
Intersegment	465	1,023	2,200	394	893	1,966	+18.0%	+14.6%	+11.9%
Total sales	364,027	654,314	1,400,000	331,542	573,934	1,301,160	+9.8%	+14.0%	+7.6%
Operating profit	66,933	114,266	231,000	39,016	56,770	183,492	+71.6%	+101.3%	+25.9%
% of sales	18.4%	17.5%	16.5%	11.8%	9.9%	14.1%	-	-	-
<b>Industry and Others</b>									
External customers	85,735	146,016	344,100	67,152	136,131	274,951	+27.7%	+7.3%	+25.1%
Intersegment	23,195	45,242	65,400	18,312	35,187	83,047	+26.7%	+28.6%	-21.2%
Total sales	108,930	191,258	409,500	85,464	171,318	357,998	+27.5%	+11.6%	+14.4%
Operating profit	(5,424)	(8,379)	(2,800)	(8,158)	(23,799)	(75,956)	-	-	-
% of sales	-5.0%	-4.4%	-0.7%	-9.5%	-13.9%	-21.2%	-	-	-
<b>Corporate and Eliminations</b>									
	-	-	-	-	-	-	-	-	-

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External customers Intersegment	(24,542)	(50,765)	(74,600)	(20,851)	(40,733)	(95,033)	-	-	-
Total sales	(24,542)	(50,765)	(74,600)	(20,851)	(40,733)	(95,033)	-	-	-
Operating profit	(31,855)	(61,477)	(153,200)	(28,261)	(58,244)	(119,877)	-	-	-
<b>Consolidated</b>									
External customers Intersegment	970,358	1,725,884	3,750,000	793,785	1,480,819	3,209,201	+22.2%	+16.5%	+16.9%
Total sales	-	-	-	-	-	-	-	-	-
Operating profit	970,358	1,725,884	3,750,000	793,785	1,480,819	3,209,201	+22.2%	+16.5%	+16.9%
% of sales	113,438	200,281	360,000	44,906	64,938	217,055	+152.6%	+208.4%	+65.9%
	11.7%	11.6%	9.6%	5.7%	4.4%	6.8%	-	-	-

(P)=Projection

**3. OTHER INCOME / DEDUCTIONS**

(Millions of yen)

	2010			2009			Change year over year		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year	2nd quarter	1st half	Year
Interest and dividend, net	855	1,790	4,200	1,220	2,570	4,866	(365)	(780)	(666)
Forex gain / loss	(551)	2,195	4,000	(5,708)	(1,953)	1,842	+5,157	+4,148	+2,158
Equity earnings / loss of affiliated companies	16,056	12,875	13,400	(6,707)	(12,013)	(12,649)	+22,763	+24,888	+26,049
Other, net	(17,147)	(15,638)	(21,600)	1,781	4,344	8,241	(18,928)	(19,982)	(29,841)
Total	(787)	1,222	0	(9,414)	(7,052)	2,300	+8,627	+8,274	(2,300)

(P)=Projection

Canon Inc.

**4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT**

	2010			2009		
	2nd quarter	1st half	Year (P)	2nd quarter	1st half	Year
<b>Office</b>						
Monochrome copiers	15%	16%	15%	22%	21%	20%
Color copiers	17%	18%	17%	21%	20%	19%
Other printing devices	49%	51%	49%	50%	50%	53%
Others	19%	15%	19%	7%	9%	8%
<b>Consumer</b>						
Cameras	71%	69%	69%	69%	67%	68%
Inkjet printers	23%	24%	25%	24%	26%	25%
Others	6%	7%	6%	7%	7%	7%
<b>Industry and Others</b>						
Lithography equipment	28%	20%	23%	22%	24%	19%
Others	72%	80%	77%	78%	76%	81%

(P)=Projection

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

	2010		
	2nd quarter	1st half	Year (P)
<b>Office</b>			
Japan	+1.4%	-0.3%	-

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Overseas	+50.3%	+32.5%	-
Total	+38.1%	+24.1%	+27.5%
<b>Consumer</b>			
Japan	-3.4%	-0.5%	-
Overseas	+20.9%	+22.0%	-
Total	+17.1%	+18.2%	+13.3%
<b>Industry and Others</b>			
Japan	-10.8%	-7.8%	-
Overseas	+55.5%	+18.3%	-
Total	+28.9%	+12.3%	+15.4%
<b>Total</b>			
Japan	-1.9%	-1.5%	+2.0%
Overseas	+37.4%	+27.1%	+27.4%
Americas	+25.8%	+23.6%	+21.0%
Europe	+43.6%	+27.4%	+28.8%
Other areas	+44.7%	+31.4%	+34.4%
Total	+28.8%	+20.4%	+21.9%

(P)=Projection

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**6. PROFITABILITY**

	2010		2009	
	1st half	Year (P)	1st half	Year
ROE *1	9.2%	8.8%	2.5%	4.9%
ROA *2	6.3%	6.0%	1.7%	3.4%

\* 1 Based on Net Income attributable to Canon Inc. and Total Canon Inc. Stockholders Equity (P)=Projection

\* 2 Based on Net Income attributable to Canon Inc.

**7. IMPACT OF FOREIGN EXCHANGE RATES**

(1) Exchange rates	2010			2009		(Yen)
	1st half	2nd half (P)	Year (P)	1st half	Year	
Yen/US\$	91.35	90.00	90.63	95.74	93.21	
Yen/Euro	120.20	110.00	114.74	127.50	130.46	

(P)=Projection

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

	2010	
	1st half	Year (P)
US\$	(30.6)	(46.1)
Euro	(24.3)	(106.1)
Other currencies	+2.4	+1.9
Total	(52.5)	(150.3)

(P)=Projection

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

2010  
2nd half (P)

On sales

US\$ 9.8

Euro 4.4

On operating profit

US\$ 4.7

Euro 2.7

(P)=Projection

**8. STATEMENTS OF CASH FLOWS**

(Millions of yen)

	2010		2009	
	1st half	Year (P)	1st half	Year
Net cash provided by operating activities	348,575	610,000	188,701	611,235
Net cash used in investing activities	(176,982)	(310,000)	(218,332)	(370,244)
Free cash flow	171,593	300,000	(29,631)	240,991
Net cash used in financing activities	(150,605)	(220,000)	(71,360)	(142,379)
Effect of exchange rate changes on cash and cash equivalents	(44,325)	(40,000)	25,360	17,226
Net change in cash and cash equivalents	(23,337)	40,000	(75,631)	115,838
Cash and cash equivalents at end of period	771,697	835,000	603,565	795,034
				(P)=Projection

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**9. R&D EXPENDITURE** (Millions of yen)

	2010		2009	
	1st half	Year (P)	1st half	Year
Office	44,127	-	40,298	78,872
Consumer	40,498	-	36,781	74,131
Industry and Others	10,083	-	11,313	23,300
Corporate and Eliminations	58,117	-	65,214	128,297
Total	152,825	320,000	153,606	304,600
% of sales	8.9%	8.5%	10.4%	9.5%

(P)=Projection

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

(Millions of yen)

	2010		2009	
	1st half	Year (P)	1st half	Year
Increase in PP&E	70,051	200,000	133,379	216,128
Depreciation and amortization	125,968	300,000	155,003	315,393

(P)=Projection

**11. INVENTORIES****(1) Inventories** (Millions of yen)

	2010	2009	Difference
	Jun.30	Dec.31	
Office	192,703	144,941	+47,762
Consumer	116,609	113,975	+2,634
Industry and Others	118,455	114,325	+4,130
Total	427,767	373,241	+54,526

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

	2010	2009	Difference
--	------	------	------------

	Jun.30	Dec.31	
Office	38	30	+8
Consumer	33	29	+4
Industry and Others	154	158	(4)
Total	45	39	+6

\* Index based on the previous six months sales.

## 12. DEBT RATIO

	2010	2009	Difference
	Jun.30	Dec.31	
Total debt / Total assets	0.3%	0.3%	0.0%

## 13. OVERSEAS PRODUCTION RATIO

	2010	2009
	1st half	Year
Overseas production ratio	48%	40%

## 14. NUMBER OF EMPLOYEES

	2010	2009	Difference
	Jun.30	Dec.31	
Japan	73,997	73,635	+362
Overseas	119,807	95,244	+24,563
Total	193,804	168,879	+24,925