

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-

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

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

- 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.

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Headquarter office

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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
ASSETS				
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
Total current assets	2,078,367	2,017,779	60,588	23,617,807
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
Total assets	¥4,016,902	¥ 3,847,557	¥ 169,345	\$ 45,646,614
LIABILITIES AND EQUITY				
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
Total current liabilities	876,893	783,690	93,203	9,964,693
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
Total liabilities	1,140,619	968,157	172,462	12,961,580

Equity:

Canon Inc. stockholders' equity:

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

	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	¥ 16,250	¥ 11,343	\$ 184,659
2. Accumulated depreciation	1,861,721	1,815,982	21,155,920
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(275,371)	(202,628)	(3,129,216)
Net unrealized gains and losses on securities	1,700	3,285	19,318
Net gains and losses on derivative instruments	2,033	71	23,102
Pension liability adjustments	(61,767)	(61,546)	(701,897)

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

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
	Six months ended	Six months ended	Change(%)	Six months ended

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

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
	Six months ended June 30, 2010	Six months ended June 30, 2009	Six months ended June 30, 2010
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	(150,605)	(71,360)	(1,711,420)
Effect of exchange rate changes on cash and cash equivalents	(44,325)	25,360	(503,694)
Net change in cash and cash equivalents	(23,337)	(75,631)	(265,193)
Cash and cash equivalents at beginning of period	795,034	679,196	9,034,477
Cash and cash equivalents at end of period	¥ 771,697	¥ 603,565	\$ 8,769,284

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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**

	Three months ended June 30, 2010	Three months ended June 30, 2009	Change(%)	
Office				
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
Consumer				
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
Industry and Others				
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)
Corporate and Eliminations				
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)
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

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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	Six months ended June 30, 2009	Change(%)	Six months ended June 30, 2010
Office				
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
Consumer				
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		