



CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2012

July 25, 2012

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, 2012 | June 30, 2011 | | June 30, 2012 |
| Net sales | ¥ 899,205 | ¥ 836,574 | + 7.5 | \$ 11,382,342 |
| Operating profit | 92,596 | 78,411 | + 18.1 | 1,172,101 |
| Income before income taxes | 85,545 | 81,627 | + 4.8 | 1,082,848 |
| Net income attributable to Canon Inc. | ¥ 51,714 | ¥ 53,861 | - 4.0 | \$ 654,608 |
| Net income attributable to Canon Inc. stockholders per share: | | | | |
| - Basic | ¥ 43.71 | ¥ 43.99 | - 0.6 | \$ 0.55 |
| - Diluted | 43.71 | 43.99 | - 0.6 | 0.55 |

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, 2012 |
| | June 30, 2012 | June 30, 2011 | | June 30, 2012 | Change(%) |
| Net sales | ¥ 1,728,445 | ¥ 1,675,765 | + 3.1 | \$ 21,879,051 | ¥ 3,690,000 + 3.7 |
| Operating profit | 175,275 | 160,913 | + 8.9 | 2,218,671 | 390,000 + 3.2 |
| Income before income taxes | 178,269 | 163,659 | + 8.9 | 2,256,570 | 395,000 + 5.5 |
| Net income attributable to Canon Inc. | ¥ 113,252 | ¥ 109,323 | + 3.6 | \$ 1,433,570 | ¥ 250,000 + 0.6 |
| Net income attributable to Canon Inc. stockholders per share: | | | | | |
| - Basic | ¥ 95.26 | ¥ 89.16 | + 6.8 | \$ 1.21 | ¥ 213.46 + 4.4 |
| - Diluted | 95.25 | 89.16 | + 6.8 | 1.21 | - - |

| | Actual | | |
|---------------------------------|---------------|-------------------|-----------|
| | As of | As of | Change(%) |
| | June 30, 2012 | December 31, 2011 | |
| Total assets | ¥ 3,861,436 | ¥ 3,930,727 | - 1.8 |
| Canon Inc. stockholders' equity | ¥ 2,499,617 | ¥ 2,551,132 | - 2.0 |

Notes: 1. Canon's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.

2. U.S. dollar amounts are translated from yen at the rate of JPY79=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 29, 2012, solely for the convenience of the reader.

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I. Operating Results and Financial Conditions

2012 Second Quarter in Review

Looking back at the global economy in the second quarter of 2012, in Europe the debt crisis increased in severity while in the United States the pace of recovery remained modest due to such factors as a delay in the improvement of employment conditions. In China, India and other emerging economies, growth in exports and investment slowed somewhat while in Japan domestic demand grew steadily. As for the global economy overall, due to an increasing sense of a slowdown, growth has been moderate.

As for the markets in which Canon operates amid these conditions, within the office equipment market, while demand for color multifunction devices (MFDs) continued to grow, the laser printer market cooled down, mainly in Europe. Demand for interchangeable-lens digital cameras (formerly referred to as digital single-lens reflex (SLR) cameras) grew steadily in all regions while the market for compact digital cameras contracted more than expected, mainly in developed countries. Demand for inkjet printers remained relatively unchanged from the previous year. In the industry and others sector, while sales of semiconductor lithography equipment, used in the production of NAND flash memory chips and digital imaging sensors, recorded solid growth, demand for flat-panel-display lithography equipment (formerly called liquid crystal display (LCD) lithography equipment) for the manufacture of large-size LCD panels remained sluggish.

The average values of the yen during the second quarter and first half of the year were ¥80.09 and ¥79.92 to the U.S. dollar, respectively, year-on-year appreciations of approximately ¥1 and ¥2, and ¥102.34 and ¥103.41 to the euro, respectively, year-on-year appreciations of approximately ¥15 and ¥12.

Despite such negative factors as the global economic slowdown triggered by the situation in Europe and the sharp appreciation of the yen, Canon continued efforts to expand sales, mainly for products such as interchangeable-lens digital cameras and office equipment, leading to second-quarter net sales of ¥ 899.2 billion (U.S.\$11,382 million), an increase of 7.5% from the year-ago period. Net sales for the six months ended June 30, 2012 totaled ¥1,728.4 billion (U.S.\$21,879 million), a year-on-year increase of 3.1%. Despite the positive effects of ongoing cost-cutting efforts, the gross profit ratio for the second quarter declined by 1.1 points to 48.9% from the year-ago period due to the significant impact of the strong yen and product mix. The gross profit ratio for the first half of the year also declined by 1.1 points to 48.1%. Gross profit for the second quarter totaled ¥439.9 billion (U.S.\$5,569 million), a year-on-year increase of 5.1%, and ¥830.8 billion (U.S.\$10,517 million) for the first six months, a year-on-year increase of 0.7%. Owing to Group-wide efforts to thoroughly reduce spending, operating expenses for the quarter increased by just ¥7.2 billion (U.S.\$92 million) from the corresponding period of the previous year while operating expenses for the six months ended June 30, 2012 decreased by ¥8.3 billion (U.S.\$105 million). Consequently, second-quarter operating profit rose 18.1% to ¥92.6 billion (U.S.\$1,172 million), while operating profit for the first half of the year increased by 8.9% to ¥175.3 billion (U.S.\$2,219 million). Other income (deductions) decreased by ¥10.3 billion (U.S.\$130 million) for the second-quarter from the year-ago period and increased 0.2 billion (U.S.\$3 million) for the first six months of the year while income before income taxes increased 4.8% year on year to ¥85.5 billion (U.S.\$1,083 million) for the second quarter, and increased 8.9% year on year to ¥178.3 billion (U.S.\$2,257 million) for the first half. Net income attributable to Canon Inc. decreased by 4.0% to ¥51.7 billion (U.S.\$655 million) for the quarter due to an increase in the effective tax rate and increased by 3.6% to ¥113.3 billion (U.S.\$1,434 million) for the first six months of the year.

Basic net income attributable to Canon Inc. stockholders per share for the second quarter was ¥43.71 (U.S.\$0.55), a decrease of ¥0.28 (U.S.\$0.004) compared with the corresponding quarter of the previous year, and ¥95.26 (U.S.\$1.21) for the first half of 2012, a year-on-year increase of ¥6.10 (U.S.\$0.08).

Results by Segment

Looking at Canon's quarterly performance by business unit, within the Office Business Unit, amid the admirable sales performance of color MFDs led by the imageRUNNER ADVANCE C5000/C2000 series, sales volumes of MFDs increased across the world from the year-ago period. In addition, sales of imagePRESS C6010/C7010VPS-series color MFDs for production printing, machines that were jointly developed by Canon and Océ, contributed to increased sales, particularly in Europe. As for laser printers, sales volumes declined mainly in Europe and in the United States from the corresponding period of the previous year due to worsening business sentiment. Consequently, combined with the appreciation of the yen, second-quarter sales for the segment totaled ¥453.9 billion (U.S.\$5,745 million), declining 2.6% year on year. Likewise, operating profit for the quarter decreased by 2.6% to ¥58.3 billion (U.S.\$738 million). Sales for the combined first six months of the year totaled ¥891.9 billion (U.S.\$11,290 million), decreasing 5.8% year on year, while operating profit declined by 9.5% to ¥111.2 billion (U.S.\$1,407 million).

Within the Imaging System Business Unit (formerly the Consumer Business Unit), demand for interchangeable-lens digital cameras continued to display solid growth around the globe as sales volumes grew significantly year on year, led by the competitively priced EOS Digital Rebel T3i (EOS 600D), along with the EOS 5D Mark III and EOS 60D advanced-amateur models. Furthermore, the professional-model EOS 1D X, released in June this year, has proved popular, further contributing to sales. As for compact digital cameras, models launched this spring offering high image quality and networking capabilities have supported healthy sales growth. In addition, the Cinema EOS System lineup of professional cinematography products, targeting Hollywood and the broader motion picture and television production market, has enjoyed a steady increase in sales. With regard to inkjet printers, sales volumes increased from the year-ago period owing to the early restoration of production in the aftermath of the floods in Thailand the previous year. Additionally, the inkjet product lineup has been further enhanced through the introduction of such models as the PIXMA MX890 series of office inkjet all-in-one printers and the PIXMA PRO-1 professional photo inkjet printer. Accordingly, second-quarter sales for the Imaging System Business Unit increased by 22.3% year on year to ¥369.7 billion (U.S.\$4,680 million) while quarterly operating profit increased by 23.6% to ¥56.0 billion (U.S.\$709 million). Sales for the first six months totaled ¥ 673.2 billion (U.S.\$8,522 million), rising 13.7% year on year, while operating profit totaled ¥102.7 billion (U.S.\$1,301 million), an increase of 20.6% year on year.

Within the Industry and Others Business Unit, i-line steppers have performed well among semiconductor lithography equipment, fueled by growing demand for smartphones and tablet devices. As for exposure systems used in the production of flat-panel displays, despite sluggish demand for large-scale LCD panels, unit sales have increased compared with the year-ago period. Consequently, second-quarter sales for the segment increased by 7.8% to ¥98.3 billion (U.S.\$1,245 million), while operating profit totaled ¥6.3 billion (U.S.\$80 million). Sales for the first half of the year totaled ¥208.1 billion (U.S.\$2,635 million), a rise of 13.7% year on year, while operating profit was ¥10.3 billion (U.S.\$131 million), a decrease of 9.7% from the year-ago period.

Cash Flow

During the first half of 2012, cash flow from operating activities totaled ¥202.0 billion (U.S.\$2,557 million), an increase of ¥11.1 billion (U.S.\$141 million) compared with the year-ago period, mainly because cash outflow from inventories decreased owing to the effects of optimized inventory levels facilitated by the recovery following the previous year's flooding in Thailand. Due to ongoing capital investment focused on boosting production, cash flow from investing activities increased ¥38.5 billion (U.S.\$487 million) year on year, totaling ¥111.8 billion (U.S.\$1,415 million). Accordingly, free cash flow totaled ¥90.2 billion (U.S.\$1,142 million), a slight decrease of ¥27.4 billion (U.S.\$346 million) from the previous year.

Cash flow from financing activities recorded an outlay of ¥187.5 billion (U.S.\$2,374 million), largely arising from the dividend payout and repurchases of treasury stock. Owing to these factors, as well as the negative impact from foreign currency translation adjustments, cash and cash equivalents decreased by ¥99.2 billion (U.S.\$1,255 million) year on year to ¥674.0 billion (U.S.\$8,532 million).

Outlook

As for the outlook in the third quarter onward, the global economy is expected to realize only mild growth amid the strong uncertainty over the eurozone sovereign debt crisis. Projections for the U.S. economy point to a moderate recovery while in Europe the economy will likely remain sluggish. Growth in emerging economies, such as China and India, is expected to decline. Although Japan continues to face severe conditions, the economy is expected to follow a path of recovery owing to growing domestic demand.

In the businesses in which Canon is involved, within the office equipment market, demand for MFDs is projected to grow steadily. As for laser printers, forecasts call for challenging conditions amid the negative effects of such factors as the sluggish economy and price competition. Demand for interchangeable-lens digital cameras is expected to continue increasing across all regions while demand for compact digital cameras is anticipated to increase for models offering high functionality and high added value. Despite the impact of the slowdown in Europe, demand for inkjet printers should remain relatively unchanged from the previous year. In the industry and others market, demand for semiconductor lithography equipment will likely fluctuate amid the rising uncertainty over capital investment by electronic device manufacturers, whereas demand for flat-panel-display lithography equipment is expected to remain sluggish compared with the year-ago period.

With regard to currency exchange rates for the third quarter onward, on which Canon's performance outlook is based, despite uncertain prospects for the global economy, Canon anticipates exchange rates of ¥80 to the U.S. dollar and ¥100 to the euro.

Upon taking into consideration the abovementioned foreign exchange rate assumptions and current economic forecasts, Canon projects full-year consolidated net sales of ¥3,690.0 billion (U.S.\$46,709 million), a year-on-year increase of 3.7%; operating profit of ¥390.0 billion (U.S.\$4,937 million), a year-on-year increase of 3.2%; income before income taxes of ¥395.0 billion (U.S.\$5,000 million), a year-on-year increase of 5.5%; and net income attributable to Canon Inc. of ¥250.0 billion (U.S.\$3,165 million), a year-on-year increase of 0.6%.

Consolidated Outlook

Fiscal year

| | Millions of yen | | | | | |
|--|----------------------------------|---------------------|-------------------|---------------------------------|-------|---------------------------|
| | Year ending December 31, 2012 | | Change (B - A) | Year ended December 31, 2011 | | Change (%) (B - C) / C |
| | Previous Outlook (A) | Revised Outlook (B) | | Results (C) | | |
| Net sales | ¥ 3,900,000 | ¥ 3,690,000 | ¥ (210,000) | ¥ 3,557,433 | +3.7% | |
| Operating profit | 450,000 | 390,000 | (60,000) | 378,071 | +3.2% | |
| Income before income taxes | 460,000 | 395,000 | (65,000) | 374,524 | +5.5% | |
| Net income attributable to Canon Inc. | ¥ 290,000 | ¥ 250,000 | ¥ (40,000) | ¥ 248,630 | +0.6% | |

Basic Policy Regarding Profit Distribution

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

Canon Inc. plans to distribute an interim dividend of ¥60.00 (U.S.\$0.76) per share for the first half of fiscal 2012, half the amount of the annual dividend paid out in fiscal 2011, to provide a stable return to shareholders. The year-end dividend, however, has yet to be decided.

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

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

| | Millions of yen | | | Thousands of U.S. dollars |
|--|---------------------------|-------------------------------|------------|------------------------------|
| | As of June 30, 2012 | As of December 31, 2011 | Change | As of June 30, 2012 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 674,047 | ¥ 773,227 | ¥ (99,180) | \$ 8,532,241 |
| Short-term investments | 77,548 | 125,517 | (47,969) | 981,620 |
| Trade receivables, net | 501,303 | 533,208 | (31,905) | 6,345,608 |
| Inventories | 542,245 | 476,704 | 65,541 | 6,863,861 |
| Prepaid expenses and other current assets | 256,138 | 244,649 | 11,489 | 3,242,252 |
| Total current assets | 2,051,281 | 2,153,305 | (102,024) | 25,965,582 |
| Noncurrent receivables | 16,131 | 16,772 | (641) | 204,190 |
| Investments | 52,845 | 51,790 | 1,055 | 668,924 |
| Property, plant and equipment, net | 1,225,165 | 1,190,836 | 34,329 | 15,508,418 |
| Intangible assets, net | 134,258 | 138,030 | (3,772) | 1,699,468 |
| Other assets | 381,756 | 379,994 | 1,762 | 4,832,355 |
| Total assets | ¥ 3,861,436 | ¥ 3,930,727 | ¥ (69,291) | \$ 48,878,937 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans and current portion of long-term debt | ¥ 4,780 | ¥ 8,343 | ¥ (3,563) | \$ 60,506 |
| Trade payables | 375,617 | 380,532 | (4,915) | 4,754,646 |
| Accrued income taxes | 63,061 | 45,900 | 17,161 | 798,241 |
| Accrued expenses | 262,394 | 299,422 | (37,028) | 3,321,443 |
| Other current liabilities | 172,781 | 159,651 | 13,130 | 2,187,101 |
| Total current liabilities | 878,633 | 893,848 | (15,215) | 11,121,937 |
| Long-term debt, excluding current installments | 2,553 | 3,368 | (815) | 32,316 |
| Accrued pension and severance cost | 249,748 | 249,604 | 144 | 3,161,367 |
| Other noncurrent liabilities | 72,308 | 70,240 | 2,068 | 915,292 |
| Total liabilities | 1,203,242 | 1,217,060 | (13,818) | 15,230,912 |
| Equity: | | | | |
| Canon Inc. stockholders' equity: | | | | |
| Common stock | 174,762 | 174,762 | - | 2,212,177 |
| Additional paid-in capital | 399,155 | 401,572 | (2,417) | 5,052,595 |
| Legal reserve | 59,982 | 59,004 | 978 | 759,267 |
| Retained earnings | 3,099,617 | 3,059,298 | 40,319 | 39,235,658 |
| Accumulated other comprehensive income (loss) | (472,222) | (481,773) | 9,551 | (5,977,494) |
| Treasury stock, at cost | (761,677) | (661,731) | (99,946) | (9,641,481) |
| Total Canon Inc. stockholders' equity | 2,499,617 | 2,551,132 | (51,515) | 31,640,722 |
| Noncontrolling interests | 158,577 | 162,535 | (3,958) | 2,007,303 |
| Total equity | 2,658,194 | 2,713,667 | (55,473) | 33,648,025 |
| Total liabilities and equity | ¥ 3,861,436 | ¥ 3,930,727 | ¥ (69,291) | \$ 48,878,937 |
| Notes: | | | | |
| 1. Allowance for doubtful receivables | | | | |
| | ¥ 11,621 | ¥ 11,563 | | \$ 147,101 |
| 2. Accumulated depreciation | | | | |
| | 2,064,046 | 2,038,682 | | 26,127,165 |
| 3. Accumulated other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | (371,805) | (378,863) | | (4,706,392) |
| Net unrealized gains and losses on securities | 2,010 | 1,003 | | 25,443 |
| Net gains and losses on derivative instruments | 1,317 | 455 | | 16,671 |
| Pension liability adjustments | (103,744) | (104,368) | | (1,313,216) |

2. CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated statements of income

Results for the second quarter

| | Millions of yen | | | Thousands of |
|---|------------------------|------------------------|-----------|--|
| | Three months | Three months | Change(%) | U.S. dollars |
| | ended June 30, 2012 | ended June 30, 2011 | | Three months ended June 30, 2012 |
| Net sales | ¥ 899,205 | ¥ 836,574 | + 7.5 | \$ 11,382,342 |
| Cost of sales | 459,284 | 418,075 | | 5,813,722 |
| Gross profit | 439,921 | 418,499 | + 5.1 | 5,568,620 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 270,003 | 264,009 | | 3,417,760 |
| Research and development expenses | 77,322 | 76,079 | | 978,759 |
| | 347,325 | 340,088 | | 4,396,519 |
| Operating profit | 92,596 | 78,411 | + 18.1 | 1,172,101 |
| Other income (deductions): | | | | |
| Interest and dividend income | 2,012 | 2,124 | | 25,468 |
| Interest expense | (266) | (234) | | (3,367) |
| Other, net | (8,797) | 1,326 | | (111,354) |
| | (7,051) | 3,216 | | (89,253) |
| Income before income taxes | 85,545 | 81,627 | + 4.8 | 1,082,848 |
| Income taxes | 32,389 | 26,207 | | 409,987 |
| Consolidated net income | 53,156 | 55,420 | | 672,861 |
| Less: Net income attributable to noncontrolling interests | 1,442 | 1,559 | | 18,253 |
| Net income attributable to Canon Inc. | ¥ 51,714 | ¥ 53,861 | - 4.0 | \$ 654,608 |

Results for the first half

| | Millions of yen | | | Thousands of |
|---|------------------------|------------------------|-----------|--------------------------------------|
| | Six months | Six months | Change(%) | U.S. dollars |
| | ended June 30, 2012 | ended June 30, 2011 | | Six months ended June 30, 2012 |
| Net sales | ¥ 1,728,445 | ¥ 1,675,765 | + 3.1 | \$ 21,879,051 |
| Cost of sales | 897,626 | 851,029 | | 11,362,355 |
| Gross profit | 830,819 | 824,736 | + 0.7 | 10,516,696 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 506,191 | 517,649 | | 6,407,481 |
| Research and development expenses | 149,353 | 146,174 | | 1,890,544 |
| | 655,544 | 663,823 | | 8,298,025 |
| Operating profit | 175,275 | 160,913 | + 8.9 | 2,218,671 |
| Other income (deductions): | | | | |
| Interest and dividend income | 3,574 | 3,760 | | 45,241 |
| Interest expense | (375) | (672) | | (4,747) |
| Other, net | (205) | (342) | | (2,595) |
| | 2,994 | 2,746 | | 37,899 |
| Income before income taxes | 178,269 | 163,659 | + 8.9 | 2,256,570 |
| Income taxes | 61,503 | 52,259 | | 778,519 |
| Consolidated net income | 116,766 | 111,400 | | 1,478,051 |
| Less: Net income attributable to noncontrolling interests | 3,514 | 2,077 | | 44,481 |
| Net income attributable to Canon Inc. | ¥ 113,252 | ¥ 109,323 | + 3.6 | \$ 1,433,570 |

Consolidated statements of comprehensive income**Results for the second quarter**

| | Millions of yen | | | Change(%) | Thousands of |
|---|---|--|-------|-----------|---|
| | | | | | U.S. dollars |
| | Three months ended June 30, 2012 | Three months ended June 30, 2011 | | | Three months ended June 30, 2012 |
| Consolidated net income | ¥ 53,156 | ¥ 55,420 | - 4.1 | \$ | 672,861 |
| Other comprehensive income (loss), net of tax | | | | | |
| Foreign currency translation adjustments | (61,992) | (19,127) | | | (784,709) |
| Net unrealized gains and losses on securities | (3,008) | (1,428) | | | (38,076) |
| Net gains and losses on derivative instruments | 5,272 | 1,082 | | | 66,734 |
| Pension liability adjustments | 251 | 1,319 | | | 3,177 |
| | <u>(59,477)</u> | <u>(18,154)</u> | | | <u>(752,874)</u> |
| Comprehensive income (loss) | (6,321) | 37,266 | - | | (80,013) |
| Less: Comprehensive income attributable to noncontrolling interests | 620 | 1,912 | | | 7,848 |
| Comprehensive income (loss) attributable to Canon Inc. | <u>¥ (6,941)</u> | <u>¥ 35,354</u> | - | \$ | <u>(87,861)</u> |

Results for the first half

| | Millions of yen | | | Change(%) | Thousands of |
|---|---|--------------------------------------|-------|-----------|---|
| | | | | | U.S. dollars |
| | Six months ended June 30, 2012 | Six months ended June 30, 2011 | | | Six months ended June 30, 2012 |
| Consolidated net income | ¥ 116,766 | ¥ 111,400 | + 4.8 | \$ | 1,478,051 |
| Other comprehensive income (loss), net of tax | | | | | |
| Foreign currency translation adjustments | 8,366 | 20,517 | | | 105,899 |
| Net unrealized gains and losses on securities | 989 | (1,136) | | | 12,519 |
| Net gains and losses on derivative instruments | 897 | (358) | | | 11,354 |
| Pension liability adjustments | 588 | 1,461 | | | 7,443 |
| | <u>10,840</u> | <u>20,484</u> | | | <u>137,215</u> |
| Comprehensive income | 127,606 | 131,884 | - 3.2 | | 1,615,266 |
| Less: Comprehensive income attributable to noncontrolling interests | 3,536 | 3,205 | | | 44,760 |
| Comprehensive income attributable to Canon Inc. | <u>¥ 124,070</u> | <u>¥ 128,679</u> | - 3.6 | \$ | <u>1,570,506</u> |

3. DETAILS OF SALES**Results for the second quarter**

| Sales by business unit | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|--------------------|--------------------|-----------|---------------------------|
| | Three months ended | Three months ended | Change(%) | Three months ended |
| | June 30, 2012 | June 30, 2011 | | June 30, 2012 |
| Office | ¥ 453,862 | ¥ 465,799 | - 2.6 | \$ 5,745,089 |
| Imaging System | 369,734 | 302,216 | + 22.3 | 4,680,177 |
| Industry and Others | 98,348 | 91,256 | + 7.8 | 1,244,911 |
| Eliminations | (22,739) | (22,697) | - | (287,835) |
| Total | ¥ 899,205 | ¥ 836,574 | + 7.5 | \$ 11,382,342 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars |
|------------------|--------------------|--------------------|-----------|---------------------------|
| | Three months ended | Three months ended | Change(%) | Three months ended |
| | June 30, 2012 | June 30, 2011 | | June 30, 2012 |
| Japan | ¥ 178,849 | ¥ 165,556 | + 8.0 | \$ 2,263,911 |
| Overseas: | | | | |
| Americas | 243,180 | 230,519 | + 5.5 | 3,078,228 |
| Europe | 258,936 | 268,641 | - 3.6 | 3,277,671 |
| Asia and Oceania | 218,240 | 171,858 | + 27.0 | 2,762,532 |
| | 720,356 | 671,018 | + 7.4 | 9,118,431 |
| Total | ¥ 899,205 | ¥ 836,574 | + 7.5 | \$ 11,382,342 |

Results for the first half

| Sales by business unit | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|------------------|------------------|-----------|---------------------------|
| | Six months ended | Six months ended | Change(%) | Six months ended |
| | June 30, 2012 | June 30, 2011 | | June 30, 2012 |
| Office | ¥ 891,901 | ¥ 946,661 | - 5.8 | \$ 11,289,886 |
| Imaging System | 673,210 | 591,837 | + 13.7 | 8,521,646 |
| Industry and Others | 208,130 | 183,049 | + 13.7 | 2,634,557 |
| Eliminations | (44,796) | (45,782) | - | (567,038) |
| Total | ¥ 1,728,445 | ¥ 1,675,765 | + 3.1 | \$ 21,879,051 |

| Sales by region | Millions of yen | | | Thousands of U.S. dollars |
|------------------|------------------|------------------|-----------|---------------------------|
| | Six months ended | Six months ended | Change(%) | Six months ended |
| | June 30, 2012 | June 30, 2011 | | June 30, 2012 |
| Japan | ¥ 355,724 | ¥ 323,604 | + 9.9 | \$ 4,502,835 |
| Overseas: | | | | |
| Americas | 453,528 | 447,053 | + 1.4 | 5,740,861 |
| Europe | 503,389 | 548,594 | - 8.2 | 6,372,013 |
| Asia and Oceania | 415,804 | 356,514 | + 16.6 | 5,263,342 |
| | 1,372,721 | 1,352,161 | + 1.5 | 17,376,216 |
| Total | ¥ 1,728,445 | ¥ 1,675,765 | + 3.1 | \$ 21,879,051 |

Notes: 1. The primary products included in each of the segments are as follows:

Office Business Unit : Office multifunction devices (MFDs) / Office copying machines / Personal-use copying machines / Laser MFDs / Laser printers / Digital production printing systems / High speed continuous feed printers / Wide-format printers / Document solution

Imaging System Business Unit * : Interchangeable-lens digital cameras / Compact digital cameras / Digital camcorders / Digital cinema cameras / Interchangeable lenses / Inkjet printers / Large-format inkjet printers / Commercial photo printers / Image scanners / Broadcast equipment / Calculators

Industry and Others Business Unit : Semiconductor lithography equipment / Flat-panel-display lithography equipment / Digital radiography systems / Ophthalmic equipment / Vacuum thin-film deposition equipment / Organic LED panel manufacturing equipment / Micromotors / Computers / Handy terminals / Document scanners

*The "Consumer Business Unit" has been renamed the "Imaging System Business Unit".

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

Americas: United States of America, Canada, Latin America

Europe: United Kingdom, Germany, France, Netherlands, European countries, Middle East and Africa

Asia and Oceania: China, Asian countries, Australia

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | Thousands of U.S. dollars |
|---|---------------------|---------------------|------------------------------|
| | Six months ended | Six months ended | Six months ended |
| | June 30, 2012 | June 30, 2011 | June 30, 2012 |
| Cash flows from operating activities: | | | |
| Consolidated net income | ¥ 116,766 | ¥ 111,400 | \$ 1,478,051 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 120,906 | 127,587 | 1,530,456 |
| Loss on disposal of fixed assets | 7,380 | 4,914 | 93,418 |
| Deferred income taxes | (1,428) | (1,627) | (18,076) |
| Decrease in trade receivables | 32,233 | 91,225 | 408,013 |
| Increase in inventories | (63,586) | (83,978) | (804,886) |
| Decrease in trade payables | (1,273) | (9,859) | (16,114) |
| Increase (decrease) in accrued income taxes | 17,231 | (14,803) | 218,114 |
| Decrease in accrued expenses | (36,987) | (32,986) | (468,190) |
| Increase (decrease) in accrued (prepaid) pension and severance cost | 1,763 | (300) | 22,316 |
| Other, net | 8,962 | (748) | 113,442 |
| Net cash provided by operating activities | 201,967 | 190,825 | 2,556,544 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (162,481) | (104,307) | (2,056,722) |
| Proceeds from sale of fixed assets | 1,287 | 616 | 16,291 |
| Purchases of available-for-sale securities | (152) | (540) | (1,924) |
| Proceeds from sale and maturity of available-for-sale securities | 189 | 1,469 | 2,392 |
| Decrease in time deposits, net | 49,998 | 17,729 | 632,886 |
| Acquisitions of subsidiaries, net of cash acquired | (704) | 17 | (8,911) |
| Purchases of other investments | (259) | (127) | (3,278) |
| Other, net | 345 | 11,835 | 4,367 |
| Net cash used in investing activities | (111,777) | (73,308) | (1,414,899) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 389 | 593 | 4,924 |
| Repayments of long-term debt | (1,181) | (2,345) | (14,949) |
| Increase (decrease) in short-term loans, net | (3,616) | 6,582 | (45,772) |
| Dividends paid | (72,092) | (79,850) | (912,557) |
| Repurchases of treasury stock, net | (99,970) | (49,843) | (1,265,443) |
| Other, net | (11,071) | (1,571) | (140,140) |
| Net cash used in financing activities | (187,541) | (126,434) | (2,373,937) |
| Effect of exchange rate changes on cash and cash equivalents | (1,829) | 16,957 | (23,151) |
| Net change in cash and cash equivalents | (99,180) | 8,040 | (1,255,443) |
| Cash and cash equivalents at beginning of period | 773,227 | 840,579 | 9,787,684 |
| Cash and cash equivalents at end of period | ¥ 674,047 | ¥ 848,619 | \$ 8,532,241 |

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, 2012 | Three months ended June 30, 2011 | Change(%) | Three months ended June 30, 2012 | |
| Office | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 452,682 | ¥ 464,301 | - 2.5 | \$ 5,730,152 | |
| Intersegment | 1,180 | 1,498 | - 21.2 | 14,937 | |
| Total | 453,862 | 465,799 | - 2.6 | 5,745,089 | |
| Operating cost and expenses | 395,550 | 405,957 | - 2.6 | 5,006,962 | |
| Operating profit | ¥ 58,312 | ¥ 59,842 | - 2.6 | \$ 738,127 | |
| Imaging System | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 369,297 | ¥ 301,993 | + 22.3 | \$ 4,674,646 | |
| Intersegment | 437 | 223 | + 96.0 | 5,531 | |
| Total | 369,734 | 302,216 | + 22.3 | 4,680,177 | |
| Operating cost and expenses | 313,721 | 256,901 | + 22.1 | 3,971,152 | |
| Operating profit | ¥ 56,013 | ¥ 45,315 | + 23.6 | \$ 709,025 | |
| Industry and Others | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 77,226 | ¥ 70,280 | + 9.9 | \$ 977,544 | |
| Intersegment | 21,122 | 20,976 | + 0.7 | 267,367 | |
| Total | 98,348 | 91,256 | + 7.8 | 1,244,911 | |
| Operating cost and expenses | 92,016 | 86,422 | + 6.5 | 1,164,759 | |
| Operating profit | ¥ 6,332 | ¥ 4,834 | + 31.0 | \$ 80,152 | |
| Corporate and Eliminations | | | | | |
| Net sales: | | | | | |
| External customers | ¥ - | ¥ - | - | \$ - | |
| Intersegment | (22,739) | (22,697) | - | (287,835) | |
| Total | (22,739) | (22,697) | - | (287,835) | |
| Operating cost and expenses | 5,322 | 8,883 | - | 67,368 | |
| Operating profit | ¥ (28,061) | ¥ (31,580) | - | \$ (355,203) | |
| Consolidated | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 899,205 | ¥ 836,574 | + 7.5 | \$ 11,382,342 | |
| Intersegment | - | - | - | - | |
| Total | 899,205 | 836,574 | + 7.5 | 11,382,342 | |
| Operating cost and expenses | 806,609 | 758,163 | + 6.4 | 10,210,241 | |
| Operating profit | ¥ 92,596 | ¥ 78,411 | + 18.1 | \$ 1,172,101 | |

Results for the first half

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|
| | Six months ended June 30, 2012 | Six months ended June 30, 2011 | Change(%) | Six months ended June 30, 2012 |
| Office | | | | |
| Net sales: | | | | |
| External customers | ¥ 889,608 | ¥ 943,352 | - 5.7 | \$ 11,260,861 |
| Intersegment | 2,293 | 3,309 | - 30.7 | 29,025 |
| Total | 891,901 | 946,661 | - 5.8 | 11,289,886 |
| Operating cost and expenses | 780,743 | 823,767 | - 5.2 | 9,882,823 |
| Operating profit | ¥ 111,158 | ¥ 122,894 | - 9.5 | \$ 1,407,063 |
| Imaging System | | | | |
| Net sales: | | | | |
| External customers | ¥ 672,314 | ¥ 591,361 | + 13.7 | \$ 8,510,304 |
| Intersegment | 896 | 476 | + 88.2 | 11,342 |
| Total | 673,210 | 591,837 | + 13.7 | 8,521,646 |
| Operating cost and expenses | 570,463 | 506,613 | + 12.6 | 7,221,051 |
| Operating profit | ¥ 102,747 | ¥ 85,224 | + 20.6 | \$ 1,300,595 |
| Industry and Others | | | | |
| Net sales: | | | | |
| External customers | ¥ 166,523 | ¥ 141,052 | + 18.1 | \$ 2,107,886 |
| Intersegment | 41,607 | 41,997 | - 0.9 | 526,671 |
| Total | 208,130 | 183,049 | + 13.7 | 2,634,557 |
| Operating cost and expenses | 197,805 | 171,612 | + 15.3 | 2,503,861 |
| Operating profit | ¥ 10,325 | ¥ 11,437 | - 9.7 | \$ 130,696 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (44,796) | (45,782) | - | (567,038) |
| Total | (44,796) | (45,782) | - | (567,038) |
| Operating cost and expenses | 4,159 | 12,860 | - | 52,645 |
| Operating profit | ¥ (48,955) | ¥ (58,642) | - | \$ (619,683) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,728,445 | ¥ 1,675,765 | + 3.1 | \$ 21,879,051 |
| Intersegment | - | - | - | - |
| Total | 1,728,445 | 1,675,765 | + 3.1 | 21,879,051 |
| Operating cost and expenses | 1,553,170 | 1,514,852 | + 2.5 | 19,660,380 |
| Operating profit | ¥ 175,275 | ¥ 160,913 | + 8.9 | \$ 2,218,671 |

(2) SEGMENT INFORMATION BY GEOGRAPHIC AREA

| Results for the second quarter | Millions of yen | | | Thousands of U.S. dollars |
|---------------------------------------|--|--|-----------|--|
| | Three months ended June 30, 2012 | Three months ended June 30, 2011 | Change(%) | Three months ended June 30, 2012 |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 204,579 | ¥ 181,418 | + 12.8 | \$ 2,589,608 |
| Intersegment | 474,836 | 435,167 | + 9.1 | 6,010,582 |
| Total | 679,415 | 616,585 | + 10.2 | 8,600,190 |
| Operating cost and expenses | 578,793 | 520,779 | + 11.1 | 7,326,494 |
| Operating profit | ¥ 100,622 | ¥ 95,806 | + 5.0 | \$ 1,273,696 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 241,097 | ¥ 228,738 | + 5.4 | \$ 3,051,861 |
| Intersegment | 6,871 | 3,948 | + 74.0 | 86,974 |
| Total | 247,968 | 232,686 | + 6.6 | 3,138,835 |
| Operating cost and expenses | 243,642 | 229,321 | + 6.2 | 3,084,076 |
| Operating profit | ¥ 4,326 | ¥ 3,365 | + 28.6 | \$ 54,759 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 258,445 | ¥ 267,776 | - 3.5 | \$ 3,271,456 |
| Intersegment | 1,527 | 1,129 | + 35.3 | 19,329 |
| Total | 259,972 | 268,905 | - 3.3 | 3,290,785 |
| Operating cost and expenses | 254,182 | 261,581 | - 2.8 | 3,217,494 |
| Operating profit | ¥ 5,790 | ¥ 7,324 | - 20.9 | \$ 73,291 |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 195,084 | ¥ 158,642 | + 23.0 | \$ 2,469,417 |
| Intersegment | 209,021 | 149,572 | + 39.7 | 2,645,836 |
| Total | 404,105 | 308,214 | + 31.1 | 5,115,253 |
| Operating cost and expenses | 392,890 | 298,305 | + 31.7 | 4,973,291 |
| Operating profit | ¥ 11,215 | ¥ 9,909 | + 13.2 | \$ 141,962 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (692,255) | (589,816) | - | (8,762,721) |
| Total | (692,255) | (589,816) | - | (8,762,721) |
| Operating cost and expenses | (662,898) | (551,823) | - | (8,391,114) |
| Operating profit | ¥ (29,357) | ¥ (37,993) | - | \$ (371,607) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 899,205 | ¥ 836,574 | + 7.5 | \$ 11,382,342 |
| Intersegment | - | - | - | - |
| Total | 899,205 | 836,574 | + 7.5 | 11,382,342 |
| Operating cost and expenses | 806,609 | 758,163 | + 6.4 | 10,210,241 |
| Operating profit | ¥ 92,596 | ¥ 78,411 | + 18.1 | \$ 1,172,101 |

| Results for the first half | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------|---|--------------------------------------|-----------|---|
| | Six months ended June 30, 2012 | Six months ended June 30, 2011 | Change(%) | Six months ended June 30, 2012 |
| Japan | | | | |
| Net sales: | | | | |
| External customers | ¥ 413,794 | ¥ 358,894 | + 15.3 | \$ 5,237,899 |
| Intersegment | 935,009 | 878,099 | + 6.5 | 11,835,557 |
| Total | 1,348,803 | 1,236,993 | + 9.0 | 17,073,456 |
| Operating cost and expenses | 1,175,625 | 1,054,653 | + 11.5 | 14,881,329 |
| Operating profit | ¥ 173,178 | ¥ 182,340 | - 5.0 | \$ 2,192,127 |
| Americas | | | | |
| Net sales: | | | | |
| External customers | ¥ 448,099 | ¥ 444,415 | + 0.8 | \$ 5,672,139 |
| Intersegment | 12,089 | 7,061 | + 71.2 | 153,026 |
| Total | 460,188 | 451,476 | + 1.9 | 5,825,165 |
| Operating cost and expenses | 451,630 | 447,066 | + 1.0 | 5,716,836 |
| Operating profit | ¥ 8,558 | ¥ 4,410 | + 94.1 | \$ 108,329 |
| Europe | | | | |
| Net sales: | | | | |
| External customers | ¥ 502,481 | ¥ 545,489 | - 7.9 | \$ 6,360,519 |
| Intersegment | 3,053 | 2,011 | + 51.8 | 38,646 |
| Total | 505,534 | 547,500 | - 7.7 | 6,399,165 |
| Operating cost and expenses | 488,851 | 528,857 | - 7.6 | 6,187,988 |
| Operating profit | ¥ 16,683 | ¥ 18,643 | - 10.5 | \$ 211,177 |
| Asia and Oceania | | | | |
| Net sales: | | | | |
| External customers | ¥ 364,071 | ¥ 326,967 | + 11.3 | \$ 4,608,494 |
| Intersegment | 406,227 | 335,430 | + 21.1 | 5,142,114 |
| Total | 770,298 | 662,397 | + 16.3 | 9,750,608 |
| Operating cost and expenses | 738,234 | 638,212 | + 15.7 | 9,344,735 |
| Operating profit | ¥ 32,064 | ¥ 24,185 | + 32.6 | \$ 405,873 |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| External customers | ¥ - | ¥ - | - | \$ - |
| Intersegment | (1,356,378) | (1,222,601) | - | (17,169,343) |
| Total | (1,356,378) | (1,222,601) | - | (17,169,343) |
| Operating cost and expenses | (1,301,170) | (1,153,936) | - | (16,470,508) |
| Operating profit | ¥ (55,208) | ¥ (68,665) | - | \$ (698,835) |
| Consolidated | | | | |
| Net sales: | | | | |
| External customers | ¥ 1,728,445 | ¥ 1,675,765 | + 3.1 | \$ 21,879,051 |
| Intersegment | - | - | - | - |
| Total | 1,728,445 | 1,675,765 | + 3.1 | 21,879,051 |
| Operating cost and expenses | 1,553,170 | 1,514,852 | + 2.5 | 19,660,380 |
| Operating profit | ¥ 175,275 | ¥ 160,913 | + 8.9 | \$ 2,218,671 |

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, 2012 | December 31, 2011 | Change |
|--------------|---------------|-------------------|--------|
| Subsidiaries | 278 | 277 | 1 |
| Affiliates | 10 | 11 | (1) |
| Total | 288 | 288 | - |

2. Change in Group Entities

Subsidiaries

Addition: 11 companies
Removal: 10 companies

Affiliates(Carried at Equity Basis)

Removal: 1 company

3. Subsidiaries Listed on Domestic Stock Exchange

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

(2) SIGNIFICANT ACCOUNTING POLICIES

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

CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER AND THE FIRST HALF ENDED JUNE 30, 2012

SUPPLEMENTARY REPORT

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

1. SALES BY GEOGRAPHIC AREA AND BUSINESS UNIT

(Millions of yen)

| | 2012 | | | 2011 | | | Change year over year | | |
|-------------------------|-------------|-----------|-------------|-------------|-----------|-----------|-----------------------|----------|--------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Japan | | | | | | | | | |
| Office | 95,062 | 187,593 | - | 88,398 | 179,457 | 362,528 | +7.5% | +4.5% | - |
| Imaging System | 50,036 | 92,384 | - | 41,142 | 79,774 | 187,397 | +21.6% | +15.8% | - |
| Industry and Others | 33,751 | 75,747 | - | 36,016 | 64,373 | 144,525 | -6.3% | +17.7% | - |
| Total | 178,849 | 355,724 | 747,800 | 165,556 | 323,604 | 694,450 | +8.0% | +9.9% | +7.7% |
| Overseas | | | | | | | | | |
| Office | 357,620 | 702,015 | - | 375,903 | 763,895 | 1,549,584 | -4.9% | -8.1% | - |
| Imaging System | 319,261 | 579,930 | - | 260,851 | 511,587 | 1,123,626 | +22.4% | +13.4% | - |
| Industry and Others | 43,475 | 90,776 | - | 34,264 | 76,679 | 189,773 | +26.9% | +18.4% | - |
| Total | 720,356 | 1,372,721 | 2,942,200 | 671,018 | 1,352,161 | 2,862,983 | +7.4% | +1.5% | +2.8% |
| Americas | | | | | | | | | |
| Office | 138,992 | 264,713 | - | 143,334 | 285,744 | 588,190 | -3.0% | -7.4% | - |
| Imaging System | 93,729 | 167,266 | - | 77,042 | 143,178 | 335,158 | +21.7% | +16.8% | - |
| Industry and Others | 10,459 | 21,549 | - | 10,143 | 18,131 | 38,607 | +3.1% | +18.9% | - |
| Total | 243,180 | 453,528 | 974,500 | 230,519 | 447,053 | 961,955 | +5.5% | +1.4% | +1.3% |
| Europe | | | | | | | | | |
| Office | 149,489 | 301,070 | - | 169,018 | 351,198 | 696,239 | -11.6% | -14.3% | - |
| Imaging System | 104,143 | 191,601 | - | 93,428 | 183,179 | 391,747 | +11.5% | +4.6% | - |
| Industry and Others | 5,304 | 10,718 | - | 6,195 | 14,217 | 25,079 | -14.4% | -24.6% | - |
| Total | 258,936 | 503,389 | 1,065,100 | 268,641 | 548,594 | 1,113,065 | -3.6% | -8.2% | -4.3% |
| Asia and Oceania | | | | | | | | | |
| Office | 69,139 | 136,232 | - | 63,551 | 126,953 | 265,155 | +8.8% | +7.3% | - |
| Imaging System | 121,389 | 221,063 | - | 90,381 | 185,230 | 396,721 | +34.3% | +19.3% | - |
| Industry and Others | 27,712 | 58,509 | - | 17,926 | 44,331 | 126,087 | +54.6% | +32.0% | - |
| Total | 218,240 | 415,804 | 902,600 | 171,858 | 356,514 | 787,963 | +27.0% | +16.6% | +14.5% |
| Intersegment | | | | | | | | | |
| Office | 1,180 | 2,293 | - | 1,498 | 3,309 | 5,831 | -21.2% | -30.7% | - |
| Imaging System | 437 | 896 | - | 223 | 476 | 1,021 | +96.0% | +88.2% | - |
| Industry and Others | 21,122 | 41,607 | - | 20,976 | 41,997 | 86,565 | +0.7% | -0.9% | - |
| Eliminations | (22,739) | (44,796) | - | (22,697) | (45,782) | (93,417) | - | - | - |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| Total | | | | | | | | | |
| Office | 453,862 | 891,901 | 1,818,900 | 465,799 | 946,661 | 1,917,943 | -2.6% | -5.8% | -5.2% |
| Imaging System | 369,734 | 673,210 | 1,528,100 | 302,216 | 591,837 | 1,312,044 | +22.3% | +13.7% | +16.5% |
| Industry and Others | 98,348 | 208,130 | 431,800 | 91,256 | 183,049 | 420,863 | +7.8% | +13.7% | +2.6% |
| Eliminations | (22,739) | (44,796) | (88,800) | (22,697) | (45,782) | (93,417) | - | - | - |
| Total | 899,205 | 1,728,445 | 3,690,000 | 836,574 | 1,675,765 | 3,557,433 | +7.5% | +3.1% | +3.7% |

(P)=Projection

2. SEGMENT INFORMATION BY BUSINESS UNIT

(Millions of yen)

| | 2012 | | | 2011 | | | Change year over year | | |
|-----------------------------------|-------------|-----------|-----------|-------------|-----------|-----------|-----------------------|----------|--------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Office | | | | | | | | | |
| External customers | 452,682 | 889,608 | 1,815,400 | 464,301 | 943,352 | 1,912,112 | -2.5% | -5.7% | -5.1% |
| Intersegment | 1,180 | 2,293 | 3,500 | 1,498 | 3,309 | 5,831 | -21.2% | -30.7% | -40.0% |
| Total sales | 453,862 | 891,901 | 1,818,900 | 465,799 | 946,661 | 1,917,943 | -2.6% | -5.8% | -5.2% |
| Operating profit | 58,312 | 111,158 | 208,200 | 59,842 | 122,894 | 259,265 | -2.6% | -9.5% | -19.7% |
| % of sales | 12.8% | 12.5% | 11.4% | 12.8% | 13.0% | 13.5% | - | - | - |
| Imaging System | | | | | | | | | |
| External customers | 369,297 | 672,314 | 1,526,700 | 301,993 | 591,361 | 1,311,023 | +22.3% | +13.7% | +16.5% |
| Intersegment | 437 | 896 | 1,400 | 223 | 476 | 1,021 | +96.0% | +88.2% | +37.1% |
| Total sales | 369,734 | 673,210 | 1,528,100 | 302,216 | 591,837 | 1,312,044 | +22.3% | +13.7% | +16.5% |
| Operating profit | 56,013 | 102,747 | 268,000 | 45,315 | 85,224 | 211,294 | +23.6% | +20.6% | +26.8% |
| % of sales | 15.1% | 15.3% | 17.5% | 15.0% | 14.4% | 16.1% | - | - | - |
| Industry and Others | | | | | | | | | |
| External customers | 77,226 | 166,523 | 347,900 | 70,280 | 141,052 | 334,298 | +9.9% | +18.1% | +4.1% |
| Intersegment | 21,122 | 41,607 | 83,900 | 20,976 | 41,997 | 86,565 | +0.7% | -0.9% | -3.1% |
| Total sales | 98,348 | 208,130 | 431,800 | 91,256 | 183,049 | 420,863 | +7.8% | +13.7% | +2.6% |
| Operating profit | 6,332 | 10,325 | 12,200 | 4,834 | 11,437 | 24,300 | +31.0% | -9.7% | -49.8% |
| % of sales | 6.4% | 5.0% | 2.8% | 5.3% | 6.2% | 5.8% | - | - | - |
| Corporate and Eliminations | | | | | | | | | |
| External customers | - | - | - | - | - | - | - | - | - |
| Intersegment | (22,739) | (44,796) | (88,800) | (22,697) | (45,782) | (93,417) | - | - | - |
| Total sales | (22,739) | (44,796) | (88,800) | (22,697) | (45,782) | (93,417) | - | - | - |
| Operating profit | (28,061) | (48,955) | (98,400) | (31,580) | (58,642) | (116,788) | - | - | - |
| Consolidated | | | | | | | | | |
| External customers | 899,205 | 1,728,445 | 3,690,000 | 836,574 | 1,675,765 | 3,557,433 | +7.5% | +3.1% | +3.7% |
| Intersegment | - | - | - | - | - | - | - | - | - |
| Total sales | 899,205 | 1,728,445 | 3,690,000 | 836,574 | 1,675,765 | 3,557,433 | +7.5% | +3.1% | +3.7% |
| Operating profit | 92,596 | 175,275 | 390,000 | 78,411 | 160,913 | 378,071 | +18.1% | +8.9% | +3.2% |
| % of sales | 10.3% | 10.1% | 10.6% | 9.4% | 9.6% | 10.6% | - | - | - |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

(Millions of yen)

| | 2012 | | | 2011 | | | Change year over year | | |
|--|-------------|----------|----------|-------------|----------|---------|-----------------------|----------|---------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year | 2nd quarter | 1st half | Year |
| Interest and dividend, net | 1,746 | 3,199 | 5,000 | 1,890 | 3,088 | 7,444 | (144) | +111 | (2,444) |
| Forex gain (loss) | (12,640) | (3,333) | (3,000) | (2,056) | 837 | (3,287) | (10,584) | (4,170) | +287 |
| Equity earnings (loss) of affiliated companies | (38) | 427 | 900 | (2,499) | (5,377) | (7,368) | +2,461 | +5,804 | +8,268 |
| Other, net | 3,881 | 2,701 | 2,100 | 5,881 | 4,198 | (336) | (2,000) | (1,497) | +2,436 |
| Total | (7,051) | 2,994 | 5,000 | 3,216 | 2,746 | (3,547) | (10,267) | +248 | +8,547 |

(P)=Projection

4. BREAKDOWN OF PRODUCT SALES WITHIN BUSINESS UNIT

| | 2012 | | | 2011 | | |
|----------------------------|-------------|----------|-------------|-------------|----------|------|
| | 2nd quarter | 1st half | Year (P) | 2nd quarter | 1st half | Year |
| Office | | | | | | |
| Monochrome copiers | 16% | 16% | 16% | 15% | 15% | 15% |
| Color copiers | 19% | 19% | 19% | 17% | 17% | 17% |
| Printers | 44% | 44% | 44% | 47% | 47% | 48% |
| Others | 21% | 21% | 21% | 21% | 21% | 20% |
| Imaging System | | | | | | |
| Cameras | 73% | 72% | 72% | 69% | 69% | 71% |
| Inkjet printers | 20% | 21% | 21% | 26% | 26% | 24% |
| Others | 7% | 7% | 7% | 5% | 5% | 5% |
| Industry and Others | | | | | | |
| Lithography equipment | 22% | 20% | 15% | 15% | 17% | 19% |
| Others | 78% | 80% | 85% | 85% | 83% | 81% |

(P)=Projection

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

| | 2012 | | |
|----------------------------|-------------|----------|-------------|
| | 2nd quarter | 1st half | Year (P) |
| Office | | | |
| Japan | +7.5% | +4.5% | - |
| Overseas | +1.8% | -2.6% | - |
| Total | +2.8% | -1.3% | -2.6% |
| Imaging System | | | |
| Japan | +21.6% | +15.8% | - |
| Overseas | +29.3% | +18.9% | - |
| Total | +28.3% | +18.5% | +18.8% |
| Industry and Others | | | |
| Japan | -6.3% | +17.7% | - |
| Overseas | +29.9% | +20.7% | - |
| Total | +8.9% | +14.7% | +2.9% |
| Total | | | |
| Japan | +8.0% | +9.9% | +7.7% |
| Overseas | +13.9% | +6.9% | +5.6% |
| Americas | +9.0% | +5.0% | +1.9% |
| Europe | +8.4% | +0.8% | +2.8% |
| Asia and Oceania | +29.0% | +18.4% | +14.2% |
| Total | +12.7% | +7.5% | +6.0% |

(P)=Projection

6. PROFITABILITY

| | 2012 | | 2011 | |
|--------|----------|----------|----------|------|
| | 1st half | Year (P) | 1st half | Year |
| ROE *1 | 9.0% | 9.7% | 8.3% | 9.6% |
| ROA *2 | 5.8% | 6.3% | 5.5% | 6.3% |

*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**

(Yen)

| | 2012 | | | 2011 | |
|----------|----------|--------------|----------|----------|--------|
| | 1st half | 2nd half (P) | Year (P) | 1st half | Year |
| Yen/US\$ | 79.92 | 80.00 | 79.96 | 81.92 | 79.55 |
| Yen/Euro | 103.41 | 100.00 | 101.59 | 114.95 | 110.72 |

(P)=Projection

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

(Billions of yen)

| | 2012 | |
|------------------|----------|----------|
| | 1st half | Year (P) |
| US\$ | (11.4) | +11.1 |
| Euro | (54.7) | (90.8) |
| Other currencies | (0.6) | +4.2 |
| Total | (66.7) | (75.5) |

(P)=Projection

(3) Impact of foreign exchange rates per yen

(Billions of yen)

| | 2012 |
|---------------------|--------------|
| | 2nd half (P) |
| On sales | |
| US\$ | 10.4 |
| Euro | 5.3 |
| On operating profit | |
| US\$ | 5.3 |
| Euro | 2.9 |

(P)=Projection

8. STATEMENTS OF CASH FLOWS

(Millions of yen)

| | 2012 | | 2011 | |
|--|-----------|-----------|-----------|-----------|
| | 1st half | Year (P) | 1st half | Year |
| Net cash provided by operating activities | 201,967 | 505,000 | 190,825 | 469,562 |
| Net cash used in investing activities | (111,777) | (328,000) | (73,308) | (256,543) |
| Free cash flow | 90,190 | 177,000 | 117,517 | 213,019 |
| Net cash used in financing activities | (187,541) | (253,200) | (126,434) | (257,513) |
| Effect of exchange rate changes on cash and cash equivalents | (1,829) | 3,000 | 16,957 | (22,858) |
| Net change in cash and cash equivalents | (99,180) | (73,200) | 8,040 | (67,352) |
| Cash and cash equivalents at end of period | 674,047 | 700,000 | 848,619 | 773,227 |

(P)=Projection

9. R&D EXPENDITURE

(Millions of yen)

| | 2012 | | 2011 | |
|----------------------------|----------|----------|----------|---------|
| | 1st half | Year (P) | 1st half | Year |
| Office | 49,010 | - | 50,580 | 103,378 |
| Imaging System | 43,241 | - | 38,943 | 82,731 |
| Industry and Others | 12,751 | - | 10,767 | 27,061 |
| Corporate and Eliminations | 44,351 | - | 45,884 | 94,630 |
| Total | 149,353 | 300,000 | 146,174 | 307,800 |
| % of sales | 8.6% | 8.1% | 8.7% | 8.7% |

(P)=Projection

10. INCREASE IN PP&E & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2012 | | 2011 | |
|-------------------------------|----------|----------|----------|---------|
| | 1st half | Year (P) | 1st half | Year |
| Increase in PP&E | 144,609 | 280,000 | 99,750 | 226,869 |
| Depreciation and amortization | 120,906 | 260,000 | 127,587 | 261,343 |

(P)=Projection

11. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2012 | | 2011 | | Difference |
|---------------------|---------|---------|---------|---------|------------|
| | Jun.30 | Dec.31 | Jun.30 | Dec.31 | |
| Office | 209,299 | 207,690 | 209,743 | 148,954 | +1,609 |
| Imaging System | 209,743 | 148,954 | 123,203 | 120,060 | +60,789 |
| Industry and Others | 123,203 | 120,060 | | | +3,143 |
| Total | 542,245 | 476,704 | | | +65,541 |

(2) Inventories / Sales*

(Days)

| | 2012 | | 2011 | | Difference |
|---------------------|--------|--------|--------|--------|------------|
| | Jun.30 | Dec.31 | Jun.30 | Dec.31 | |
| Office | 43 | 39 | 57 | 38 | +4 |
| Imaging System | 57 | 38 | 138 | 115 | +19 |
| Industry and Others | 138 | 115 | | | +23 |
| Total | 57 | 46 | | | +11 |

*Index based on the previous six months sales.

12. DEBT RATIO

| | 2012 | | 2011 | | Difference |
|---------------------------|--------|--------|--------|--------|------------|
| | Jun.30 | Dec.31 | Jun.30 | Dec.31 | |
| Total debt / Total assets | 0.2% | 0.3% | | | -0.1% |

13. OVERSEAS PRODUCTION RATIO

| | 2012 | | 2011 | |
|---------------------------|----------|------|----------|------|
| | 1st half | Year | 1st half | Year |
| Overseas production ratio | 53% | | 52% | |

14. NUMBER OF EMPLOYEES

| | 2012 | | 2011 | | Difference |
|----------|---------|---------|---------|---------|------------|
| | Jun.30 | Dec.31 | Jun.30 | Dec.31 | |
| Japan | 70,969 | 70,346 | 132,680 | 127,961 | +623 |
| Overseas | 132,680 | 127,961 | | | +4,719 |
| Total | 203,649 | 198,307 | | | +5,342 |