

CANON INC  
Form 6-K  
April 25, 2008

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

For the month of .... **April**..... , **2008**..  
**CANON INC.**

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

(Address of principal executive offices)

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

Form 20-F            Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes              No     

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CANON**  
**INC.**  
(Registrant)

Date.... **April 24, 2008**....

By ...../s/..... Hiroshi Kawashimo.

(Signature)\*

Hiroshi Kawashimo  
Deputy Senior General Manager  
Global Finance 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 FIRST QUARTER ENDED MARCH 31, 2008
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**CONSOLIDATED RESULTS FOR**  
**THE FIRST QUARTER ENDED MARCH 31, 2008**

April 24, 2008

**CONSOLIDATED RESULTS**

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

	Three months ended March 31, 2008 (Unaudited)	Actual			Three months Ended March 31, 2008 (Unaudited)	Projected	
		Three months ended March 31, 2007 (Unaudited)	Change(%)			Year ending December 31, 2008	Change(%)
Net sales	¥ 1,007,538	¥ 1,039,793	- 3.1	\$ 10,075,380	¥ 4,570,000	+ 2.0	
Operating profit	170,830	207,403	- 17.6	1,708,300	770,000	+1.8	
Income before income taxes and minority interests	166,642	207,844	- 19.8	1,666,420	785,000	+2.2	
Net income	¥ 106,644	¥ 131,250	- 18.7	\$ 1,066,440	¥ 500,000	+2.4	
<b>Net income per share:</b>							
- Basic	¥ 84.57	¥ 99.28	- 14.8	\$ 0.85	¥ 396.50	+5.0	
- Diluted	84.56	99.25	- 14.8	0.85			

	As of March 31, 2008 (Unaudited)	Actual			As of March 31, 2008 (Unaudited)
		As of December 31, 2007	Change(%)		
Total assets	¥ 4,211,258	¥ 4,512,625	- 6.7	\$ 42,112,580	
Stockholders equity	¥ 2,846,767	¥ 2,922,336	- 2.6	\$ 28,467,670	

- 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 JPY100 = U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2008, solely for the convenience of the reader.

Canon Inc.  
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,  
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Phone: +81-3-3758-2111

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

### **2008 First Quarter in Review**

Looking back at the global economy in the first quarter of 2008, an economic slowdown among developed countries has clearly taken hold as a result of increasing worldwide financial insecurity triggered by the subprime loan crisis in the United States along with the impact of the escalating price of crude oil and other resources. The U.S. economy remained stagnant during the period due to slack consumer spending, in addition to a drop in housing investment. In Europe, in addition to sluggish consumer spending due to the high rate of inflation, indications pointed to dwindling capital investment amid an increasing sense that the economy was gradually losing momentum. Within Asia, while the negative impact on exports accompanying the U.S. economic slowdown was reason for concern, the Chinese economy maintained a high rate of growth while other economies in the region also enjoyed generally favorable conditions and economic expansion. In Japan, export growth was limited due to the impact of the U.S. economy and the rapid appreciation of the yen against the U.S. dollar, while consumer spending remained at a low level, losing strength amid uncertainty over the future.

As for the markets in which the Canon Group operates, within the digital camera segment, demand for digital single-lens reflex (SLR) cameras and digital compact cameras sustained healthy growth during the term despite intensifying price competition. Within the office imaging product market, demand for network digital multifunction devices (MFDs) remained solid amid the shift toward color models and advanced functionality. As for computer peripherals, including printers, demand for laser beam printers continued to display growth for color models. For inkjet printers, demand continued to shift from single-function to multifunction models as competition within the market remained fierce, mainly with regard to pricing. In the optical equipment segment, while demand for steppers, utilized in the production of semiconductors, dropped, the market for aligners, used to produce liquid crystal display (LCD) panels, expanded moderately thanks to signs of a recovery in capital spending by LCD panel manufacturers. While the average value of the yen for the quarter was ¥104.78 to the U.S. dollar, a year-on-year appreciation of about 12%, it remained relatively unchanged from last year's average against the euro at ¥157.59.

Amid these conditions, sales volumes of digital cameras, color network MFDs and other products showed robust growth, recording increases in overall sales on a local-currency basis in all overseas regions. The effect, however, of the sharp appreciation of the yen against the U.S. dollar negatively affected Canon's consolidated net sales for the first quarter, resulting in a drop of 3.1% year on year to ¥1,007.5 billion (U.S.\$10,075 million). Despite the continued launch of new products and ongoing cost-reduction efforts, the gross profit ratio for the quarter was 49.6%, a year-on-year decline of 1.7 points due to such factors as the appreciation of the yen against the U.S. dollar, an increase in depreciation costs due to the change in the accounting method used to calculate depreciation of fixed assets which was introduced in April 2007, and escalating resource and materials costs. As such, first-quarter gross profit declined by 6.3% to ¥499.9 billion (U.S.\$4,999 million) from the year-ago period. While first-quarter R&D expenditures grew by 9.1% compared with the same period for the previous year, increases in other expenses were restrained, resulting in a slight rise in operating expenses of just 0.8% year on year. Consequently, operating profit in the first quarter totaled ¥170.8 billion (U.S.\$1,708 million), a year-on-year decrease of 17.6%. Other income (deductions) fell by ¥4.6 billion (U.S.\$46 million) year on year mainly due to a decrease in interest income and drop in earnings on investments in equity method affiliates. As a result, while income before income taxes and minority interests totaled ¥166.6 billion (U.S.\$1,666 million), a year-on-year decline of 19.8%, and first-quarter net income also recorded a decrease of 18.7% compared with last year to ¥106.6 billion (U.S.\$1,066 million), the net income ratio remained at a double-digit level, recording a rate of 10.6%.

Basic net income per share for the quarter was ¥84.57 (U.S.\$0.85), a year-on-year decline of ¥14.71 (U.S.\$0.15).

### Results by Product Segment

Reviewing the consolidated results for the quarter by business sector, within the business machine segment, while demand for color network digital MFDs continued to expand, fueled by strong sales of the competitively priced iR C2880 series, sales declined 5.9% due to the deterioration of the economic environment, which led to a slowdown in sales overall in the U.S. market. In the field of computer peripherals, despite a steady year-on-year increase in sales on a local-currency basis for laser beam printers, the significant impact of the yen's appreciation against the U.S. dollar resulted in a decline in sales of 3.0% year on year. With regard to inkjet printers, however, despite an intensely competitive market, Canon's diverse product range, from home-use multifunction models such as the PIXMA MP610 to business-use MFDs equipped with a facsimile function, achieved expanded sales which, in addition to favorable sales growth for consumables, contributed to 6.1% growth. As a result, sales of computer peripherals overall for the quarter were approximately the same as for the previous year. Sales of business information products decreased by 7.4% year on year due to a drop in personal computer sales within the Japanese domestic market. Collectively, sales of business machines overall during the term totaled ¥691.8 billion (U.S.\$6,918 million), dropping 3.3% from the year-ago period. Operating profit for the segment totaled ¥163.2 billion (U.S.\$1,632 million), a year-on-year decrease of 7.6%, also as a result of such factors as the lower gross profit due to the drop in sales.

Within the digital camera segment, the compact and lightweight EOS DIGITAL REBEL XT<sub>i</sub> and the advanced-amateur model EOS 40D contributed to strong sales while also boosting sales of interchangeable lenses. Sales of digital compact cameras also achieved steady growth as the market expanded in emerging markets such as Asia and Russia. As a result, year-on-year sales volume for digital cameras rose by 18%, however, due to the appreciation of the yen against the dollar, overall camera sales for the first quarter decreased by 1.6% from the year-ago period to ¥219.0 billion (U.S.\$2,190 million). Operating profit for the camera segment decreased by 24.5% year on year to ¥45.7 billion (U.S.\$457 million) due to the decline of the gross profit ratio, negatively affected by the rapid appreciation of the yen along with intensifying price competition amid growing inventories of competitors within the camera market.

In the optical and other products segment, while sales of aligners, used to produce LCD panels, gained momentum owing to a recovery in demand by LCD panel manufacturers, sales of steppers, used in the production of semiconductors, remained stagnant throughout the period due to market shrinkage. As a result, sales for the segment totaled ¥96.7 billion (U.S.\$967 million), a year-on-year decrease of 5.1%, while operating profit for the segment fell by 70.4% year on year to ¥5.3 billion (U.S.\$53 million).

### Cash Flow

In the first quarter of 2008, Canon generated cash flow from operating activities of ¥107.5 billion (U.S.\$1,075 million), a decrease of ¥45.3 billion (U.S.\$453 million) compared with last year, reflecting both the decreases in sales and net income, and increased payment of corporate taxes. Cash flow from investing activities totaled ¥189.5 billion (U.S.\$1,895 million), increasing by ¥65.3 billion (U.S.\$653 million) year-on-year, due to such factors as active facility investment to reinforce production capabilities and the payment of ¥43.2 billion (U.S.\$432 million) to acquire shares of Hitachi Displays, Ltd. toward the launch of Canon's display business. As a result, free cash flow totaled negative ¥82.0 billion (U.S.\$820 million), deteriorating by ¥110.6 billion (U.S.\$1,106 million) from positive ¥28.6 billion (U.S.\$286 million) for the year-ago period.

Cash flow from financing activities recorded an outlay of ¥84.9 billion (U.S.\$849 million), mainly resulting from the dividend payout of ¥75.7 billion (U.S.\$757 million) in accordance with basic policy regarding profit distribution. Consequently, cash and cash equivalents decreased by ¥236.8 billion (U.S.\$2,368 million) to ¥707.7 billion (U.S.\$7,077 million) from the previous year, including the negative effect of currency translation of ¥69.9 billion (U.S.\$699 million) in total, which stemmed from the appreciation of the yen against the U.S. dollar and euro.

## Outlook

As for the outlook for the global economy in the second quarter and thereafter, uncertainty over the future continues to rise as the risk of an economic slowdown looms in the face of the financial credit crunch triggered by the subprime loan crisis along with escalating prices of crude oil and other natural resources. Amid this environment, while economic growth will likely continue to slow in developed countries for the time being, from the latter half of this year, these economies are expected to be on a path toward recovery as the effects of financial policies and economic stimulus measures in the U.S. and other countries begin to materialize. As for emerging-market economies such as Asia and Russia, although fallout from the lackluster performance of developed countries will have an impact, these regions are expected to continue enjoying high rates of growth.

In the businesses in which the Canon Group is involved, the market for digital SLR and digital compact cameras is projected to continue achieving healthy expansion. Demand for color network digital MFDs and color laser beam printers is also expected to remain solid amid continued price competition and shifting market demand toward lower-priced models. While the market for steppers will likely shrink over the near term, the market for aligners is expected to stage a healthy recovery owing to large-scale facility investment by LCD panel manufacturers.

As for currency exchange rates from the second quarter onward, on which Canon's performance outlook for the full year is based, while uncertainty over future interest rate policies and political developments with regard to major countries is likely to continue, Canon anticipates exchange rates of ¥100 to the U.S. dollar and ¥157 to the euro, representing year-on-year appreciation of approximately 15% against the U.S. dollar, and about 4% against the euro. Upon taking into consideration first-quarter business results as well as the expected business climate based on these foreign exchange rates, the company now anticipates consolidated net sales of ¥4,570.0 billion (U.S.\$45,700 million), operating profit of ¥770.0 billion (U.S.\$7,700 million), income before income taxes and minority interests of ¥785.0 billion (U.S.\$7,850 million), and net income of ¥500.0 billion (U.S.\$5,000 million), representing slight downward revisions for each item.



**Consolidated Outlook****Semi-Annual**

	Millions of yen					
	Six months ending June 30, 2008			Change (B - A)	Six months ended June 30, 2007 Results (C)	Change (%) (B - C) / C
	Previous Outlook (A)	Revised Outlook (B)				
Net sales	¥ 2,230,000	¥ 2,120,000	¥ (110,000)	¥ 2,166,724	- 2.2%	
Operating profit	390,000	324,000	(66,000)	388,876	- 16.7%	
Income before income taxes and minority interests	408,000	328,000	(80,000)	406,141	- 19.2%	
Net income	256,000	209,000	(47,000)	255,183	- 18.1%	

**Fiscal year**

	Millions of yen					
	Year ending December 31, 2008			Change (B - A)	Year ended December 31, 2007 Results (C)	Change (%) (B - C) / C
	Previous Outlook (A)	Revised Outlook (B)				
Net sales	¥ 4,720,000	¥ 4,570,000	¥ (150,000)	¥ 4,481,346	+ 2.0%	
Operating profit	800,000	770,000	(30,000)	756,673	+ 1.8%	
Income before income taxes and minority interests	820,000	785,000	(35,000)	768,388	+ 2.2%	
Net income	520,000	500,000	(20,000)	488,332	+ 2.4%	

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****1. CONSOLIDATED STATEMENTS OF INCOME**

	Millions of yen		Change(%)	Thousands of
	Three months ended March 31, 2008 (Unaudited)	Three months ended March 31, 2007 (Unaudited)		U.S. dollars
	¥	¥		Three months ended March 31, 2008 (Unaudited)
Net sales	<b>1,007,538</b>	1,039,793	- 3.1	<b>\$ 10,075,380</b>
Cost of sales	<b>507,673</b>	506,116		<b>5,076,730</b>
Gross profit	<b>499,865</b>	533,677	- 6.3	<b>4,998,650</b>
Operating expenses:				
Selling, general and administrative expenses	<b>249,480</b>	253,344		<b>2,494,800</b>
Research and development expenses	<b>79,555</b>	72,930		<b>795,550</b>
	<b>329,035</b>	326,274		<b>3,290,350</b>
Operating profit	<b>170,830</b>	207,403	- 17.6	<b>1,708,300</b>
Other income (deductions):				
Interest and dividend income	<b>6,193</b>	8,255		<b>61,930</b>
Interest expense	<b>(412)</b>	(393)		<b>(4,120)</b>
Other, net	<b>(9,969)</b>	(7,421)		<b>(99,690)</b>
	<b>(4,188)</b>	441		<b>(41,880)</b>
Income before income taxes and minority interests	<b>166,642</b>	207,844	- 19.8	<b>1,666,420</b>
Income taxes	<b>56,034</b>	72,547		<b>560,340</b>
Income before minority interests	<b>110,608</b>	135,297		<b>1,106,080</b>
Minority interests	<b>3,964</b>	4,047		<b>39,640</b>
Net income	<b>¥ 106,644</b>	¥ 131,250	- 18.7	<b>\$ 1,066,440</b>

Note: Comprehensive income for the three months ended March 31, 2008 and 2007 was JPY409 million (U.S.\$4,090 thousand) and JPY184,096 million, respectively.

**2. DETAILS OF SALES**

Sales by product	Millions of yen		Change(%)	Thousands of
	Three months ended	Three months ended		U.S. dollars
				Three months ended

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	<b>March 31, 2008 (Unaudited)</b>	March 31, 2007 (Unaudited)		<b>March 31, 2008 (Unaudited)</b>
Business machines:				
<i>Office imaging products</i>	¥ 287,524	¥ 305,562	-5.9	\$ 2,875,240
<i>Computer peripherals</i>	379,509	383,097	-0.9	3,795,090
<i>Business information products</i>	24,753	26,732	-7.4	247,530
	<b>691,786</b>	715,391	-3.3	<b>6,917,860</b>
Cameras	218,995	222,443	-1.6	2,189,950
Optical and other products	96,757	101,959	-5.1	967,570
Total	¥ 1,007,538	¥ 1,039,793	-3.1	\$ 10,075,380

Sales by region	Millions of yen			Thousands of U.S. dollars
	<b>Three months ended March 31, 2008 (Unaudited)</b>	Three months ended March 31, 2007 (Unaudited)	Change(%)	<b>Three months ended March 31, 2008 (Unaudited)</b>
Japan	¥ 227,781	¥ 232,459	- 2.0	\$ 2,277,810
Overseas:				
<i>Americas</i>	270,664	306,624	-11.7	2,706,640
<i>Europe</i>	337,116	337,791	-0.2	3,371,160
<i>Other areas</i>	171,977	162,919	+5.6	1,719,770
	<b>779,757</b>	807,334	-3.4	<b>7,797,570</b>
Total	¥ 1,007,538	¥ 1,039,793	-3.1	\$ 10,075,380

- Notes: 1. The primary products included in each of the product segments are as follows:
- Business machines:  
Office imaging products : Office network digital multifunction devices (MFDs) / Color network digital MFDs /  
Office copying machines / Personal-use copying machines / Full-color copying machines  
Computer peripherals : Laser beam printers / Inkjet multifunction peripherals / Single function inkjet printers / Image scanners  
Business information products : Computer information systems / Document scanners / Personal information products  
Cameras : Digital SLR cameras / Digital compact cameras / Interchangeable lenses / Digital video camcorders  
Optical and other products : Semiconductor production equipment / Mirror projection mask aligners for LCD panels /  
Broadcasting equipment / Medical equipment / Large format printers / Components
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

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. SEGMENT INFORMATION BY PRODUCT

	Millions of yen		Change(%)	Thousands of
	Three months ended March 31, 2008 (Unaudited)	Three months ended March 31, 2007 (Unaudited)		U.S. dollars
				<b>Three months ended March 31, 2008 (Unaudited)</b>
<b>Business Machines</b>				
Net sales:				
Unaffiliated customers	¥ 691,786	¥ 715,391	-3.3	\$ 6,917,860
Intersegment				
Total	691,786	715,391	-3.3	6,917,860
Operating cost and expenses	528,607	538,880	-1.9	5,286,070
Operating profit	163,179	176,511	-7.6	1,631,790
<b>Cameras</b>				
Net sales:				
Unaffiliated customers	¥ 218,995	¥ 222,443	-1.6	\$ 2,189,950
Intersegment				
Total	218,995	222,443	-1.6	2,189,950
Operating cost and expenses	173,269	161,913	+7.0	1,732,690
Operating profit	45,726	60,530	-24.5	457,260
<b>Optical and other products</b>				
Net sales:				
Unaffiliated customers	¥ 96,757	¥ 101,959	-5.1	\$ 967,570
Intersegment	56,215	51,659	+8.8	562,150
Total	152,972	153,618	-0.4	1,529,720
Operating cost and expenses	147,642	135,626	+8.9	1,476,420
Operating profit	5,330	17,992	-70.4	53,300
<b>Corporate and Eliminations</b>				
Net sales:				

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Unaffiliated customers	¥		¥		\$	
Intersegment		<b>(56,215)</b>		(51,659)		<b>(562,150)</b>
Total		<b>(56,215)</b>		(51,659)		<b>(562,150)</b>
Operating cost and expenses		<b>(12,810)</b>		(4,029)		<b>(128,100)</b>
Operating profit		<b>(43,405)</b>		(47,630)		<b>(434,050)</b>
<b>Consolidated</b>						
Net sales:						
Unaffiliated customers	¥	<b>1,007,538</b>	¥	1,039,793	-3.1	\$ <b>10,075,380</b>
Intersegment						
Total		<b>1,007,538</b>		1,039,793	-3.1	<b>10,075,380</b>
Operating cost and expenses		<b>836,708</b>		832,390	+0.5	<b>8,367,080</b>
Operating profit		<b>170,830</b>		207,403	-17.6	<b>1,708,300</b>

Note: General corporate expenses of JPY43,295 million (U.S.\$432,950 thousand) and JPY47,630 million in the three months ended March 31, 2008 and 2007, respectively, are included in Corporate and Eliminations.

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED BALANCE SHEETS

	As of March 31, 2008 (Unaudited)	Millions of yen As of December 31, 2007	Change	Thousands of U.S. dollars As of March 31, 2008 (Unaudited)
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	¥ 707,669	¥ 944,463	¥ (236,794)	\$ 7,076,690
Short-term investments	20,865	20,499	366	208,650
Trade receivables, net	679,630	794,240	(114,610)	6,796,300
Inventories	581,769	563,474	18,295	5,817,690
Prepaid expenses and other current assets	282,661	286,111	(3,450)	2,826,610
<b>Total current assets</b>	<b>2,272,594</b>	<b>2,608,787</b>	<b>(336,193)</b>	<b>22,725,940</b>
Noncurrent receivables	14,648	15,239	(591)	146,480
Investments	124,023	90,086	33,937	1,240,230
Property, plant and equipment, net	1,367,973	1,364,702	3,271	13,679,730
Other assets	432,020	433,811	(1,791)	4,320,200
<b>Total assets</b>	<b>¥4,211,258</b>	<b>¥ 4,512,625</b>	<b>¥ (301,367)</b>	<b>\$ 42,112,580</b>
<b>LIABILITIES AND STOCKHOLDERS</b>				
<b>EQUITY</b>				
Current liabilities:				
Short-term loans and current portion of long-term debt	¥ 16,517	¥ 18,317	¥ (1,800)	\$ 165,170
Trade payables	496,656	514,226	(17,570)	4,966,560
Accrued income taxes	70,850	150,726	(79,876)	708,500
Accrued expenses	303,209	357,525	(54,316)	3,032,090
Other current liabilities	166,872	215,911	(49,039)	1,668,720
<b>Total current liabilities</b>	<b>1,054,104</b>	<b>1,256,705</b>	<b>(202,601)</b>	<b>10,541,040</b>
Long-term debt, excluding current installments	10,368	8,680	1,688	103,680
Accrued pension and severance cost	41,901	44,710	(2,809)	419,010
Other noncurrent liabilities	50,757	57,324	(6,567)	507,570
<b>Total liabilities</b>	<b>1,157,130</b>	<b>1,367,419</b>	<b>(210,289)</b>	<b>11,571,300</b>

Minority interests	<b>207,361</b>	222,870	(15,509)	<b>2,073,610</b>
Stockholders' equity:				
Common stock	<b>174,698</b>	174,698		<b>1,746,980</b>
Additional paid-in capital	<b>402,675</b>	402,991	(316)	<b>4,026,750</b>
Legal reserve	<b>51,941</b>	46,017	5,924	<b>519,410</b>
Retained earnings	<b>2,745,203</b>	2,720,146	25,057	<b>27,452,030</b>
Accumulated other comprehensive income (loss)	<b>(71,565)</b>	34,670	(106,235)	<b>(715,650)</b>
Treasury stock	<b>(456,185)</b>	(456,186)	1	<b>(4,561,850)</b>
Total stockholders' equity	<b>2,846,767</b>	2,922,336	(75,569)	<b>28,467,670</b>
Total liabilities and stockholders' equity	<b>¥4,211,258</b>	¥ 4,512,625	¥ (301,367)	<b>\$ 42,112,580</b>

	Millions of yen		Thousands of U.S. dollars
	As of	As of	As of
	March 31,	December 31,	March 31,
	2008	2007	2008
Notes:	(Unaudited)		(Unaudited)
1. Allowance for doubtful receivables	¥ <b>12,938</b>	¥ 14,547	\$ <b>129,380</b>
2. Accumulated depreciation	<b>1,617,247</b>	1,594,374	<b>16,172,470</b>
3. Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	<b>(83,670)</b>	22,796	<b>(836,700)</b>
Net unrealized gains and losses on securities	<b>4,090</b>	6,287	<b>40,900</b>
Net gains and losses on derivative instruments	<b>2,434</b>	(849)	<b>24,340</b>
Pension liability adjustments	<b>5,581</b>	6,436	<b>55,810</b>

4. Time deposits and Marketable securities, which had been previously disclosed separately in the consolidated balance sheets, have been reclassified to Short-term investments to conform to the current year presentation.



## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

## 5. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Million						
	Common Stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
at December 31, 2007	¥ 174,698	¥ 402,991	¥ 46,017	¥ 2,720,146	¥ 34,670	¥ (456,186)	¥ 2,922,136
Transaction by consolidated subsidiaries		(312)					
Dividends				(75,663)			
Transfers to legal reserve			5,924	(5,924)			
Comprehensive income:				106,644			
Income							
Comprehensive income (loss), net of tax							
Currency translation adjustments					(106,466)		
Realized gains and losses on securities					(2,197)		
Gains and losses on derivative instruments					3,283		
Liability adjustments					(855)		
Comprehensive income							
Change of treasury stock, net		(4)				1	
at March 31, 2008 (Unaudited)	¥ 174,698	¥ 402,675	¥ 51,941	¥ 2,745,203	¥ (71,565)	¥ (456,185)	¥ 2,947,467
at December 31, 2006	¥ 174,603	¥ 403,510	¥ 43,600	¥ 2,368,047	¥ 2,718	¥ (5,872)	¥ 2,927,606
Reverse effect of a change in accounting adoption of EITF 06-2, net of tax				(2,204)			
Transaction by consolidated subsidiaries		(4)					
Dividends				(66,582)			
Transfers to legal reserve			1,680	(1,680)			
Comprehensive income:				131,250			
Income							

Comprehensive income (loss), net of tax								
currency translation adjustments						(127)		
Realized gains and losses on securities						(2,209)		
gains and losses on derivative instruments						2,274		
liability adjustments						52,908		
Comprehensive income								
Decrease of treasury stock, net			3				(200,104)	
at March 31, 2007 (Unaudited)	¥ 174,603	¥ 403,509	¥ 45,280	¥ 2,428,831	¥ 55,564	¥ (205,976)	¥ 2,428,831	¥ 2,428,831
								Thousands of U.S. dollars
at December 31, 2007	\$ 1,746,980	\$ 4,029,910	\$ 460,170	\$ 27,201,460	\$ 346,700	\$ (4,561,860)	\$ 29,946,350	\$ 29,946,350
Transaction by consolidated subsidiaries		(3,120)						
Dividends				(756,630)				
Transfers to legal reserve			59,240	(59,240)				
Comprehensive income:								
Comprehensive income				1,066,440				1,066,440
Comprehensive income (loss), net of tax								
currency translation adjustments						(1,064,660)		(1,064,660)
Realized gains and losses on securities						(21,970)		(21,970)
gains and losses on derivative instruments						32,830		32,830
liability adjustments						(8,550)		(8,550)
Comprehensive income								
Decrease of treasury stock, net			(40)					10
at March 31, 2008 (Unaudited)	\$ 1,746,980	\$ 4,026,750	\$ 519,410	\$ 27,452,030	\$ (715,650)	\$ (4,561,850)	\$ 28,180,590	\$ 28,180,590

## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars
	<b>Three months ended March 31, 2008 (Unaudited)</b>	Three months ended March 31, 2007 (Unaudited)	<b>Three months ended March 31, 2008 (Unaudited)</b>
Cash flows from operating activities:			
Net income	¥ 106,644	¥ 131,250	\$ 1,066,440
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	82,201	64,433	822,010
Loss on disposal of property, plant and equipment	3,685	1,338	36,850
Deferred income taxes	(7,591)	(528)	(75,910)
Decrease in trade receivables	71,298	82,451	712,980
Increase in inventories	(24,585)	(29,776)	(245,850)
Increase (decrease) in trade payables	4,732	(2,999)	47,320
Decrease in accrued income taxes	(78,470)	(54,284)	(784,700)
Decrease in accrued expenses	(36,112)	(18,579)	(361,120)
Decrease in accrued (prepaid) pension and severance cost	(2,783)	(4,209)	(27,830)
Other, net	(11,530)	(16,287)	(115,300)
Net cash provided by operating activities	<b>107,489</b>	152,810	<b>1,074,890</b>
Cash flows from investing activities:			
Purchases of fixed assets	(136,165)	(118,912)	(1,361,650)
Proceeds from sale of fixed assets	710	1,546	7,100
Purchases of available-for-sale securities	(3,833)	(1,744)	(38,330)
Proceeds from sale of available-for-sale securities	4,011	1,069	40,110
Increase in time deposits	(204)	(2,241)	(2,040)
Acquisitions of subsidiaries, net of cash acquired	(209)	(3,082)	(2,090)
Purchases of other investments	(44,111)	(1,474)	(441,110)
Other, net	(9,682)	645	(96,820)
Net cash used in investing activities	<b>(189,483)</b>	(124,193)	<b>(1,894,830)</b>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	3,400	742	34,000
Repayments of long-term debt	(1,175)	(1,462)	(11,750)
Increase (decrease) in short-term loans	(2,632)	86	(26,320)
Dividends paid	(75,663)	(66,582)	(756,630)
Purchases of treasury stock, net	(3)	(200,101)	(30)
Other, net	(8,804)	(2,277)	(88,040)

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Net cash used in financing activities	<b>(84,877)</b>	(269,594)	<b>(848,770)</b>
Effect of exchange rate changes on cash and cash equivalents	<b>(69,923)</b>	323	<b>(699,230)</b>
Net decrease in cash and cash equivalents	<b>(236,794)</b>	(240,654)	<b>(2,367,940)</b>
Cash and cash equivalents at beginning of period	<b>944,463</b>	1,155,626	<b>9,444,630</b>
Cash and cash equivalents at end of period	<b>¥ 707,669</b>	¥ 914,972	<b>\$ 7,076,690</b>

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## CANON INC. AND SUBSIDIARIES

CONSOLIDATED

7. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

## (1) GROUP POSITION

## 1. Number of Group Companies

	March 31, 2008	December 31, 2007	Change
Subsidiaries	240	239	1
Affiliates	17	15	2
Total	257	254	3

## 2. Change in Group of Entities

## Subsidiaries

Addition:	6 companies
Removal:	5 companies

## Affiliates (Carried at Equity Basis )

Addition:	2 companies
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## 3. Subsidiaries listed on domestic stock exchange

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

Tokyo Stock Exchange (2nd section): Canon Software Inc.

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

JASDAQ: Nisca Corporation, Tokki Corporation

Osaka Stock Exchange (Hercules): e-System Corporation

(2) SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements reflect the adjustments which management believes are necessary to conform them with U.S. generally accepted accounting principles, except for the segment information, as required by Statement of Financial Accounting Standards No.131, Disclosures about Segments of an Enterprise and Related Information.

8. OTHER

We have engaged Ernst & Young ShinNihon to perform a review of the consolidated statements of income, the consolidated balance sheets, the consolidated statements of stockholders' equity and the consolidated statements of cash flows as of and for the three months ended March 31, 2008. This review engagement was performed in accordance with certain provisions of Statement of Auditing Standards No.100, Interim Financial Information ( SAS 100 ), established by the American Institute of Certified Public Accountants. Additionally the consolidated interim financial information does not include certain disclosures, such as notes to financial statements, that are required under U.S. generally accepted accounting principles and by the United States Securities and Exchange Commission.

Canon Inc.  
April 24, 2008

CONSOLIDATED FINANCIAL RESULTS FOR  
THE FIRST QUARTER ENDED MARCH 31, 2008  
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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**1. SALES BY REGION AND PRODUCT**

Canon Inc. (Millions of yen)

	1st quarter	2008 1st half (P)	Year (P)	1st quarter	2007 1st half	Year	Change year over year		
							1st quarter	1st half	Year
<b>Japan</b>									
Business machines	155,500			146,863	302,719	636,534	+5.9%		
Office imaging products	98,403			90,647	183,500	384,546	+8.6%		
Computer peripherals	41,410			39,002	86,009	186,214	+6.2%		
Business information products	15,687			17,214	33,210	65,774	-8.9%		
Cameras	33,348			39,644	72,887	149,892	-15.9%		
Optical and other products	38,933			45,952	82,696	161,161	-15.3%		
<b>Total</b>	<b>227,781</b>	<b>468,300</b>	<b>989,400</b>	<b>232,459</b>	<b>458,302</b>	<b>947,587</b>	<b>-2.0%</b>	<b>+2.2%</b>	<b>+4.4%</b>
<b>Overseas</b>									
Business machines	536,286			568,528	1,143,868	2,299,008	-5.7%		
Office imaging products	189,121			214,915	448,928	906,242	-12.0%		
Computer peripherals	338,099			344,095	674,678	1,351,297	-1.7%		
Business information products	9,066			9,518	20,262	41,469	-4.7%		
Cameras	185,647			182,799	446,687	1,002,771	+1.6%		
Optical and other products	57,824			56,007	117,867	231,980	+3.2%		
<b>Total</b>	<b>779,757</b>	<b>1,651,700</b>	<b>3,580,600</b>	<b>807,334</b>	<b>1,708,422</b>	<b>3,533,759</b>	<b>-3.4%</b>	<b>-3.3%</b>	<b>+1.3%</b>

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<b>Americas</b>									
Business machines	193,781			227,770	447,382	888,189	-14.9%		
Office imaging products	70,879			91,115	186,908	373,093	-22.2%		
Computer peripherals	118,685			132,255	250,765	495,676	-10.3%		
Business information products	4,217			4,400	9,709	19,420	-4.2%		
Cameras	64,266			64,143	165,340	390,768	+0.2%		
Optical and other products	12,617			14,711	29,227	57,211	-14.2%		
Total	270,664	570,500	1,239,200	306,624	641,949	1,336,168	-11.7%	-11.1%	-7.3%
<b>Europe</b>									
Business machines	257,765			256,823	524,656	1,067,998	+0.4%		
Office imaging products	94,415			98,957	208,054	423,925	-4.6%		
Computer peripherals	159,236			153,593	308,183	626,236	+3.7%		
Business information products	4,114			4,273	8,419	17,837	-3.7%		
Cameras	69,091			70,992	176,795	388,651	-2.7%		
Optical and other products	10,260			9,976	20,928	42,637	+2.8%		
Total	337,116	725,900	1,557,800	337,791	722,379	1,499,286	-0.2%	+0.5%	+3.9%
<b>Other areas</b>									
Business machines	84,740			83,935	171,830	342,821	+1.0%		
Office imaging products	23,827			24,843	53,966	109,224	-4.1%		



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Computer peripherals	60,178			58,247	115,730	229,385		+3.3%	
Business information products	735			845	2,134	4,212		-13.0%	
Cameras	52,290			47,664	104,552	223,352		+9.7%	
Optical and other products	34,947			31,320	67,712	132,132		+11.6%	
<b>Total</b>	<b>171,977</b>	<b>355,300</b>	<b>783,600</b>	<b>162,919</b>	<b>344,094</b>	<b>698,305</b>		<b>+5.6%</b>	<b>+3.3%</b> <b>+12.2%</b>
<b>Total Business machines</b>	<b>691,786</b>	<b>1,397,800</b>	<b>2,933,500</b>	<b>715,391</b>	<b>1,446,587</b>	<b>2,935,542</b>		<b>-3.3%</b>	<b>-3.4%</b> <b>-0.1%</b>
Office imaging products	287,524	617,900	1,290,000	305,562	632,428	1,290,788		-5.9%	-2.3% -0.1%
Computer peripherals	379,509	729,900	1,543,700	383,097	760,687	1,537,511		-0.9%	-4.0% +0.4%
Business information products	24,753	50,000	99,800	26,732	53,472	107,243		-7.4%	-6.5% -6.9%
Cameras	218,995	523,000	1,179,300	222,443	519,574	1,152,663		-1.6%	+0.7% +2.3%
Optical and other products	96,757	199,200	457,200	101,959	200,563	393,141		-5.1%	-0.7% +16.3%
<b>Total</b>	<b>1,007,538</b>	<b>2,120,000</b>	<b>4,570,000</b>	<b>1,039,793</b>	<b>2,166,724</b>	<b>4,481,346</b>		<b>-3.1%</b>	<b>-2.2%</b> <b>+2.0%</b>

(P)=Projection

- S1 -

**2. SEGMENT INFORMATION BY PRODUCT**Canon Inc.  
(Millions of yen)

	1st quarter	2008	Year (P)	1st quarter	2007	Year	Change year over	
		1st half (P)			1st half		1st quarter	1st half
<b>Imaging machines</b>								
Sales to customers	691,786	1,397,800	2,933,500	715,391	1,446,587	2,935,542	-3.3%	-3.4%
Operating profit	691,786	1,397,800	2,933,500	715,391	1,446,587	2,935,542	-3.3%	-3.4%
	163,179 23.6%	309,400 22.1%	659,200 22.5%	176,511 24.7%	335,471 23.2%	650,261 22.2%	-7.6%	-7.8%
<b>Business Process Management</b>								
Sales to customers	218,995	523,000	1,179,300	222,443	519,574	1,152,663	-1.6%	+0.7%
Operating profit	218,995	523,000	1,179,300	222,443	519,574	1,152,663	-1.6%	+0.7%
	45,726 20.9%	113,300 21.7%	308,100 26.1%	60,530 27.2%	137,303 26.4%	307,426 26.7%	-24.5%	-17.5%
<b>Other products</b>								
Sales to customers	96,757	199,200	457,200	101,959	200,563	393,141	-5.1%	-0.7%
Operating profit	56,215	114,500	271,100	51,659	107,917	238,659	+8.8%	+6.1%
	152,972	313,700	728,300	153,618	308,480	631,800	-0.4%	+1.7%
	5,330 3.5%	11,900 3.8%	45,800 6.3%	17,992 11.7%	21,385 6.9%	21,080 3.3%	-70.4%	-44.4%
<b>Inter-segment and Eliminations</b>								
Sales to customers	(56,215)	(114,500)	(271,100)	(51,659)	(107,917)	(238,659)		
Operating profit	(56,215)	(114,500)	(271,100)	(51,659)	(107,917)	(238,659)		
	(43,405)	(110,600)	(243,100)	(47,630)	(105,283)	(222,094)		
<b>Consolidated</b>								
Sales to customers	1,007,538	2,120,000	4,570,000	1,039,793	2,166,724	4,481,346	-3.1%	-2.2%
Operating profit	1,007,538	2,120,000	4,570,000	1,039,793	2,166,724	4,481,346	-3.1%	-2.2%

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profit	170,830 17.0%	324,000 15.3%	770,000 16.8%	207,403 19.9%	388,876 17.9%	756,673 16.9%	-17.6%	-16.7%
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(P)=Projection

**3. OTHER INCOME / DEDUCTIONS**

(Millions of yen)

	1st quarter	2008 1st half (P)	Year (P)	1st quarter	2007 1st half	Year	Change 1st quarter
et	5,781	9,200	16,500	7,862	16,572	31,348	(2,081)
	(10,576)	(9,000)	(15,400)	(10,917)	(10,520)	(31,943)	+341
F affiliated companies	164	(100)	1,000	2,654	5,285	5,634	(2,490)
	443	3,900	12,900	842	5,928	6,676	(399)
	(4,188)	4,000	15,000	441	17,265	11,715	(4,629)

(P)=Projection

- S2 -

**4. SALES COMPOSITION BY PRODUCT**

Canon Inc.

	1st quarter	2008 1st half (P)	Year (P)	1st quarter	2007 1st half	Year
<b>Office imaging products</b>						
Monochrome copying machines	42%	41%	41%	46%	46%	45%
Color copying machines	36%	37%	37%	35%	35%	35%
Others	22%	22%	22%	19%	19%	20%
<b>Computer peripherals</b>						
Laser beam printers	75%	74%	73%	77%	75%	73%
Inkjet printers	24%	25%	26%	22%	24%	26%
Others	1%	1%	1%	1%	1%	1%
<b>Business information products</b>						
Personal computers	63%	62%	61%	63%	62%	62%
Others	37%	38%	39%	37%	38%	38%
<b>Cameras</b>						
Digital cameras	75%	76%	77%	75%	76%	76%
Video cameras	7%	8%	8%	8%	8%	8%
Interchangeable lenses and others	18%	16%	15%	17%	16%	16%
<b>Optical and other products</b>						
Semiconductor production equipment	46%	47%	49%	51%	50%	46%
Others	54%	53%	51%	49%	50%	54%

(P)=Projection

\* Figures related to analog personal copying machines, which were included in Monochrome copying machines of Office imaging products, are now included in Others of Office imaging products. Past figures have been reclassified to conform with the new presentation.

\* The segment previously named Film cameras / Lenses is now named Interchangeable lenses and others.

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

	2008 1st half (P)	Year (P)
1st quarter		

**Business machines**

Japan	+5.9%		
Overseas	+2.1%		
Total	+2.9%	+4.8%	+8.2%

**Cameras**

Japan	-15.9%		
Overseas	+9.2%		
Total	+4.7%	+9.5%	+11.1%

**Optical and other products**

Japan	-15.3%		
Overseas	+8.8%		
Total	-2.0%	+2.7%	+19.8%

**Total**

Japan	-2.0%	+2.2%	+4.4%
Overseas	+4.2%	+6.7%	+11.5%
Americas	+0.5%	+4.3%	+7.6%
Europe	+2.2%	+5.1%	+9.3%
Other areas	+15.4%	+14.7%	+23.6%
Total	+2.8%	+5.7%	+10.0%

(P)=Projection

**6. PROFITABILITY**

Canon Inc.

	2008		2007	
	1st quarter	Year (P)	1st quarter	Year
ROE	14.8 %	16.4%	17.8%	16.5%
ROA	9.8%	10.8%	11.9%	10.8%

(P)=Projection

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

(Yen)

	2008			2007	
	1st quarter	2nd-4th quarter (P)	Year (P)	1st quarter	Year
Yen/US\$	104.78	100.00	101.05	119.33	117.50
Yen/Euro	157.59	157.00	157.13	156.45	161.41

(P)=Projection

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

(Billions of yen)

	2008	
	1st quarter	Year (P)
US\$	(57.3)	(291.1)
Euro	+1.2	(31.4)
Other currencies	(0.3)	(2.3)
Total	(56.4)	(324.8)

(P)=Projection

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

	2008
	2nd-4th quarter (P)

On sales

US\$	13.8
Euro	6.0

On operating profit	
US\$	7.9
Euro	4.4

**8. STATEMENTS OF CASH FLOWS** (P)=Projection  
(Millions of yen)

	2008		2007	
	1st quarter	Year (P)	1st quarter	Year
Net cash provided by operating activities				
Net income	106,644	500,000	131,250	488,332
Depreciation and amortization	82,201	370,000	64,433	341,694
Other, net	(81,356)	(125,000)	(42,873)	9,243
Total	107,489	745,000	152,810	839,269
Net cash used in investing activities	(189,483)	(490,000)	(124,193)	(432,485)
Free cash flow	(81,994)	255,000	28,617	406,784
Net cash used in financing activities	(84,877)	(169,500)	(269,594)	(604,383)
Effect of exchange rate changes on cash and cash equivalents	(69,923)	(70,000)	323	(13,564)
Net change in cash and cash equivalents	(236,794)	15,500	(240,654)	(211,163)
Cash and cash equivalents at end of period	707,669	960,000	914,972	944,463

(P)=Projection

Canon Inc.

**9. R&D EXPENSES**

(Millions of yen)

	2008		2007	
	1st quarter	Year (P)	1st quarter	Year
Business machines	25,884		24,136	122,570
Cameras	11,904		11,260	44,304
Optical and other products	41,767		37,534	201,387
Total	79,555	387,000	72,930	368,261
% of sales	7.9%	8.5%	7.0%	8.2%

(P)=Projection

**10. CAPITAL EXPENDITURE & DEPRECIATION AND AMORTIZATION**

(Millions of yen)

	2008		2007	
	1st quarter	Year (P)	1st quarter	Year
Capital expenditure	89,435	435,000	93,652	428,549
Depreciation and amortization	82,201	370,000	64,433	341,694

(P)=Projection

**11. INVENTORIES****(1) Inventories**

(Millions of yen)

	2008	2007	Difference
	Mar.31	Dec.31	
Business machines	277,874	277,444	+430
Cameras	121,474	107,406	+14,068
Optical and other products	182,421	178,624	+3,797
Total	581,769	563,474	+18,295

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

(Days)

	2008	2007	Difference
	Mar.31	Dec.31	



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Business machines	34	34	0
Cameras	38	31	+7
Optical and other products	173	169	+4
Total	47	44	+3

\*Index based on the previous six months sales.

**12. DEBT RATIO**

	2008 Mar.31	2007 Dec.31	Difference
Total debt / Total assets	0.6%	0.6%	0.0%

**13. OVERSEAS PRODUCTION RATIO**

	2008 1st quarter	2007 Year
Overseas production ratio	41%	40%

**14. NUMBER OF EMPLOYEES**

	2008 Mar.31	2007 Dec.31	Difference
Japan	55,641	55,227	+414
Overseas	76,543	76,125	+418
Total	132,184	131,352	+832

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