

## Canon reports results for the first half fiscal 1997

**For the first half of 1997, Canon's consolidated net sales totaled ¥ 1,363,075 million (U.S.\$ 11,957 million), an increase of 11.6% over the same period last year, net income increased by 44.8% to ¥ 58,323 million (U.S.\$ 512 million).**

### REPORT BY PRODUCT GROUP

#### BUSINESS MACHINES

Sales rose 11.9% to ¥ 1,148,281 million (U.S.\$ 10,073 million), as a result of expanded sales of copying machines and computer peripherals. Within computer peripherals, double digit sales growth of Bubble Jet printers and steady growth of laser beam printers accounted for the most of the increase in this segment. *Business machines* contributed 84% to net sales.

#### CAMERAS

Sales grew by 18.5% to ¥ 113,719 million (U.S.\$ 998 million), due mostly to strong demand for Advanced Photo System based cameras. *Cameras* contributed 8% to net sales.

#### OPTICAL AND OTHER PRODUCTS

Sales increased by 2.1% to ¥ 101,075 million (U.S.\$ 887 million). Increased sales of broadcasting equipment and other products offset the decline in semiconductor production equipment sales. *Optical and other products* contributed 8% to net sales.

#### FISCAL 1997 PROJECTION

Canon anticipates an increase in both consolidated net sales and net income to ¥ 2,790,000 million (U.S.\$ 24,474 million) and ¥ 115,000 million (U.S.\$ 1,009 million), respectively, in fiscal 1997.

#### (SUPPLEMENTARY INFORMATION)

	1997 1st Half (Actual) Millions of yen	Fiscal 1997 (Projected) Millions of yen
Capital expenditure	¥ 99,691 (U.S.\$ 874 million)	¥ 200,000 (U.S.\$ 1,754 million)
Depreciation and amortization	61,197 (U.S.\$ 537 million)	130,000 (U.S.\$ 1,140 million)
R&D expenditure	77,341 (U.S.\$ 678 million)	160,000 (U.S.\$ 1,404 million)

Note: U.S. dollar amounts are translated for the convenience of the reader at the rate of ¥114=U.S.\$ 1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 1997.

CANON INC. AND SUBSIDIARIES

1. CONSOLIDATED STATEMENTS OF INCOME

Six months ended June 30, 1997 and 1996 (Unaudited)

	Millions of yen		Change	Thousands of
	1997	1996		U.S. dollars
Net sales:				<b>1997</b>
Domestic	¥ 446,922	¥ 404,404	+ 10.5 %	\$ 3,920,368
Overseas	916,153	816,791	+ 12.2	8,036,430
	<b>1,363,075</b>	1,221,195	+ 11.6	<b>11,956,798</b>
Cost of sales	<b>752,834</b>	702,464		<b>6,603,807</b>
Gross profit	<b>610,241</b>	518,731	+ 17.6	<b>5,352,991</b>
Selling, general and administrative expenses	<b>472,448</b>	417,239		<b>4,144,280</b>
Operating profit	<b>137,793</b>	101,492	+ 35.8	<b>1,208,711</b>
Other income (deductions):				
Interest and dividend income	6,526	5,955		57,246
Interest expense	(14,094)	(17,288)		(123,632)
Other, net	(6,151)	(4,138)		(53,957)
	<b>(13,719)</b>	(15,471)		<b>(120,343)</b>
Income before income taxes	<b>124,074</b>	86,021	+ 44.2	<b>1,088,368</b>
Income taxes	<b>61,316</b>	42,357		<b>537,859</b>
Income before minority interests	<b>62,758</b>	43,664		<b>550,509</b>
Minority interests	<b>4,435</b>	3,372		<b>38,904</b>
Net income	¥ <b>58,323</b>	¥ 40,292	+ 44.8	<b>\$ 511,605</b>
Net income per share:	Yen			U.S. dollars
Common and common equivalent share	¥ 66.14	¥ 45.76		\$ 0.58
Assuming full dilution	<b>66.14</b>	45.73		<b>0.58</b>

## 2. SALES BY PRODUCT

Six months ended June 30, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars
	1997	1996	Change	1997
Business machines:				
Copying machines	¥ 459,072	¥ 400,844	+ 14.5 %	\$ 4,026,947
Computer peripherals	463,001	409,119	+ 13.2	4,061,412
Business systems	226,208	216,289	+ 4.6	1,984,281
	<u>1,148,281</u>	<u>1,026,252</u>	<u>+ 11.9</u>	<u>10,072,640</u>
Cameras	113,719	95,969	+ 18.5	997,535
Optical and other products	101,075	98,974	+ 2.1	886,623
Total	<u>¥ 1,363,075</u>	<u>¥ 1,221,195</u>	<u>+ 11.6</u>	<u>\$ 11,956,798</u>

## 3. SALES BY REGION

Six months ended June 30, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars
	1997	1996	Change	1997
Japan	¥ 446,922	¥ 404,404	+ 10.5 %	\$ 3,920,368
Americas	417,590	384,512	+ 8.6	3,663,070
Europe	388,610	335,792	+ 15.7	3,408,860
Other areas	109,953	96,487	+ 14.0	964,500
Total	<u>¥ 1,363,075</u>	<u>¥ 1,221,195</u>	<u>+ 11.6</u>	<u>\$ 11,956,798</u>

#### 4. CONSOLIDATED BALANCE SHEETS

June 30, 1997 and December 31, 1996

	Millions of yen			Thousands of U.S. dollars															
	Jun. 30, 1997 (Unaudited)	Dec. 31, 1996	Change	Jun. 30, 1997 (Unaudited)															
<b>ASSETS</b>																			
Current assets:																			
Cash and cash equivalents	¥ 607,443	¥ 651,746	¥ (44,303)	\$ 5,328,447															
Marketable securities	12,615	10,526	2,089	110,658															
Trade receivables, less allowances	376,192	365,575	10,617	3,299,930															
Inventories	530,753	524,832	5,921	4,655,728															
Prepaid expenses and other current assets	201,865	193,865	8,000	1,770,746															
Total current assets	1,728,868	1,746,544	(17,676)	15,165,509															
Noncurrent receivables and restricted funds	56,755	38,867	17,888	497,851															
Investments	68,955	80,052	(11,097)	604,868															
Net property, plant and equipment	652,991	626,127	26,864	5,727,991															
Other assets	128,035	126,708	1,327	1,123,114															
Total assets	¥ 2,635,604	¥ 2,618,298	¥ 17,306	\$ 23,119,333															
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>																			
Current liabilities:																			
Short-term loans	¥ 483,174	¥ 568,388	¥ (85,214)	\$ 4,238,368															
Trade payables	445,874	396,613	49,261	3,911,175															
Income taxes	62,100	73,404	(11,304)	544,737															
Accrued expenses	122,963	111,121	11,842	1,078,623															
Other current liabilities	51,857	44,310	7,547	454,886															
Total current liabilities	1,165,968	1,193,836	(27,868)	10,227,789															
Long-term debt, excluding current installments	175,373	192,254	(16,881)	1,538,360															
Accrued pension and severance cost	48,298	48,573	(275)	423,667															
Other noncurrent liabilities	16,368	16,756	(388)	143,579															
Total liabilities	1,406,007	1,451,419	(45,412)	12,333,395															
Minority interests	196,005	185,011	10,994	1,719,342															
Stockholders' equity:																			
Common stock	157,497	150,565	6,932	1,381,553															
Additional paid-in capital	369,149	359,011	10,138	3,238,149															
Legal reserve	27,801	26,770	1,031	243,868															
Retained earnings	539,061	489,617	49,444	4,728,605															
Foreign currency translation adjustments	(55,768)	(36,739)	(19,029)	(489,193)															
Minimum pension liabilities adjustment	(4,148)	(7,356)	3,208	(36,386)															
Total stockholders' equity	1,033,592	981,868	51,724	9,066,596															
Total liabilities and stockholders' equity	¥ 2,635,604	¥ 2,618,298	¥ 17,306	\$ 23,119,333															
<table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Millions of yen</th> <th>Thousands of U.S. dollars</th> </tr> <tr> <th>Jun. 30, 1997</th> <th>Dec. 31, 1996</th> <th>Jun. 30, 1997</th> </tr> </thead> <tbody> <tr> <td>Allowance for doubtful receivables</td> <td>14,994</td> <td>14,772</td> <td>131,526</td> </tr> <tr> <td>Accumulated depreciation</td> <td>742,350</td> <td>719,452</td> <td>6,511,842</td> </tr> </tbody> </table>						Millions of yen		Thousands of U.S. dollars	Jun. 30, 1997	Dec. 31, 1996	Jun. 30, 1997	Allowance for doubtful receivables	14,994	14,772	131,526	Accumulated depreciation	742,350	719,452	6,511,842
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Note: The Company has not applied Statement of Financial Accounting Standards No. 115 (SFAS 115) in accounting for certain investments in debt and equity securities. The effects on the consolidated financial statements of not adopting SFAS 115 are summarized in note (2) on page 5.

- Notes: (1) U.S. dollar amounts are translated from yen at the rate of ¥114=U.S.\$ 1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 1997.
- (2) The Company has not applied Statement of Financial Accounting Standards No. 115 (SFAS 115) in accounting for certain investments in debt and equity securities. The effect on balance sheet items of the Company's departure from the provisions of SFAS 115 as of June 30, 1997 and December 31, 1996 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>Jun. 30, 1997</b> <b>(Unaudited)</b>	Dec. 31, 1996	<b>Jun. 30, 1997</b> <b>(Unaudited)</b>
Stockholders' equity as reported	<b>¥ 1,033,592</b>	¥ 981,868	<b>\$ 9,066,596</b>
Net increase in the carrying amount of:			
Marketable securities	<b>1,705</b>	2,447	<b>14,956</b>
Investments	<b>53,683</b>	50,159	<b>470,904</b>
Net decrease in deferred tax assets and increase in deferred tax liabilities:			
Other current assets	<b>(768)</b>	(1,003)	<b>(6,737)</b>
Other assets	<b>(27,208)</b>	(25,449)	<b>(238,666)</b>
Other current liabilities	<b>(97)</b>	(94)	<b>(851)</b>
Other noncurrent liabilities	<b>(174)</b>	(133)	<b>(1,526)</b>
Net increase in minority interests	<b>(391)</b>	(361)	<b>(3,430)</b>
	<b>26,750</b>	25,566	<b>234,650</b>
Stockholders' equity after applying SFAS 115	<b>¥ 1,060,342</b>	¥ 1,007,434	<b>\$ 9,301,246</b>