

CANON REPORTS RESULTS FOR THE FIRST HALF FISCAL 2000

Millions of yen (except per share amounts)

1. CONSOLIDATED RESULTS

	Actual			Projected Year ended December 31, 2000	Actual		
	Six months ended June 30, 2000 (Unaudited)	Six months ended June 30, 1999 (Unaudited)	Change(%)		Year ended December 31, 1999	Change(%)	
Net sales	¥ 1,362,915	¥ 1,294,815	+ 5.3	¥ 2,770,000	¥ 2,622,265	+ 5.6	
Operating profit	123,142	83,733	+ 47.1	245,000	176,056	+ 39.2	
Income before income taxes	117,777	74,778	+ 57.5	230,000	156,072	+ 47.4	
Net income	68,482	32,324	+ 111.9	125,000	70,234	+ 78.0	
Net income per share:							
Basic	¥ 78.55	¥ 37.14	+ 111.5	¥ 143.34	¥ 80.66	+ 77.7	
Diluted	77.42	36.60	+ 111.5	--	79.50	--	
Total assets	¥ 2,624,335	¥ 2,758,018	- 4.8	--	¥ 2,587,532	--	
Stockholders' equity	¥ 1,246,375	¥ 1,195,898	+ 4.2	--	¥ 1,202,003	--	

Note for Consolidated results: Canon's consolidated financial statements conform with United States generally accepted accounting principles.

2. NON-CONSOLIDATED RESULTS (Parent company only)

	Actual			Projected Year ended December 31, 2000	Actual		
	Six months ended June 30, 2000	Six months ended June 30, 1999	Change(%)		Year ended December 31, 1999	Change(%)	
Net sales	¥ 814,172	¥ 735,383	+ 10.7	¥ 1,640,000	¥ 1,482,393	+ 10.6	
Operating profit	87,790	52,680	+ 66.6	165,000	102,674	+ 60.7	
Ordinary profit	80,113	55,048	+ 45.5	150,000	113,506	+ 32.2	
Net income	43,531	31,167	+ 39.7	83,000	59,141	+ 40.3	
Net income per share:							
Dividends per common share	¥ 49.93	¥ 35.81	+ 39.4	¥ 95.18	¥ 67.92	+ 40.1	
	8.50	8.50	--	20.00	17.00	--	
Total assets	¥ 1,507,751	¥ 1,393,240	+ 8.2	--	¥ 1,393,283	--	
Stockholders' equity	¥ 1,047,335	¥ 967,009	+ 8.3	--	¥ 989,194	--	

Note for Non-consolidated results: Amounts less than 1 million yen have been omitted.

Management Policy

Through the management reformation activities it initiated in 1998, the Canon Group has striven to maintain sufficient free cash flows by significantly enhancing management efficiency and strengthening its financial structure. We will continue to reinforce our cash-flow management while actively expanding our businesses through the promotion of diversification and globalization as we move toward the goal of becoming an excellent global corporate group. By increasing our corporate value in this way, we will endeavor to continue winning the confidence of the many stakeholders sustaining the Canon Group.

Specifically, in the markets for information and communications centered on the Internet, for which rapid growth is anticipated into the future, we will concentrate our activities on high-potential businesses around our core comprehensive technologies for imaging and information, particularly input/output devices, to strengthen our current operations while fostering new businesses. In the first half of 2000, we introduced a variety of superior new products, such as a credit card-sized, compact and lightweight digital camera. We will continue to focus our efforts on developing high-value-added products with digital network technologies. In addition, we will work toward the midterm to long-range strengthening of our service and solutions businesses through links between sales companies in the Canon Group.

To promote further globalization, we will enhance our development, production and sales functions in individual regions. Particularly in the area of production, our active shifting of operations to overseas bases in the People's Republic of China, Southeast Asia and other regions is improving our cost competitiveness and improving our ability to resist the effects of changes in currency exchange rates. Our efforts to enhance Group competitiveness during the first half of 2000 included our decision to close Canon Manufacturing U.K., a subsidiary for the production of Bubble Jet printers. This production will be shifted to our highly competitive subsidiary in Thailand. We also promoted the active introduction of cell production at overseas production facilities, a move that will increase our productivity. In research and development, we will work in the fields in which we excel in each region, while in sales and marketing we will enhance our direct sales activities by pursuing solutions businesses with distinctively regional characteristics.

The Canon Group will continue to ensure long-term growth and profitability while raising the face a severe operating environment in the near future, but we are confident that the above activities will guarantee the potential to grow in the long term. We will also be working to improve our return on assets, shorten production and logistics lead times and review our current stock standards to further eliminate inventories. Through these activities, we will strive to improve Group management indicators such as ROA (return on assets) and ROE (return on equity). To prepare for technological reformation and sudden changes in the marketplace, we will step up cash-flow management efforts and continue strengthening our corporate structure.

Regarding the apportionment of income, our basic policy is to ensure sufficient internal funds to carry out the capital and R&D investment required to expand our businesses and profitability while maintaining stable dividends to shareholders.

In activities related to environmental preservation, we will maintain our stance of promoting harmony with nature by actively developing environmental assurance technologies related to production, resource reuse and environmental assessment. Through these efforts, we will save resources and energy, recycle and reduce waste, thereby lessening our burden on the environment. Furthermore, we will aggressively promote the green procurement of components, materials and products, and actively disclose environmental information related to our products and operations through publications such as our Environmental Report, and by adopting Eco-Labels containing environment-related information for our products and pursuing environmental accounting.

As the final year of Phase I of the Excellent Global Corporation Plan, which we launched in 1996, the year 2000 represents a conclusion to five years of activities. Everyone in the Canon Group is committed to further pursuing management reformation that will lead to significant growth in the 21st century.

Operating Results

First Half in Review

In the first half of 2000, the U. S. economy remained strong, centered on personal spending, and economies in Europe were generally buoyant. In addition, Asian economies continued on the road to recovery. However, in Japan personal spending remains stagnant, though the public-sector investment environment showed signs of improvement.

In markets in which Canon is involved, sales of printers, digital copying machines and other business machines grew, as demand for information-related equipment expanded under the continuing information technology (IT) revolution, and demand for our digital cameras jumped in line with the introduction of a new model. In addition, the market for semiconductor production equipment advanced significantly, owing to increased capital investment by semiconductor makers against the backdrop of a strong memory market. On the other hand, the yen remained strong against major foreign currencies, the average value of the yen during the first half of 2000 was ¥106.93 to the U.S. dollar and ¥102.53 to the euro, equal to increases of 11% and 26%, respectively, from same period last year.

In our business machines operations, solid demand for digital copying machines both in Japan and other regions sustained an increase in sales of nearly 10% on a local-currency basis. However, the strong yen led to a slight decrease in sales. Laser beam printers sold extremely well in our computer peripherals operations, but sales of business systems declined under the effects of intense price competition in the facsimile machines market. As a result of these factors, overall sales of business machines increased 1.5% from the first half of 1999, to ¥1,097.4 billion (U.S.\$10,353 million).

In our camera operations, the strong yen and a sluggish market led to a slight decrease in sales of compact cameras. Conversely, our introduction of a strong new digital camera combined with rapid expansion of the digital camera market to widely increase our sales of these products. Sales of our video camcorders were also robust around the world. In this environment, we achieved a more than double-digit increase in overall cameras sales, which climbed 12.1%, to ¥144.8 billion (U.S.\$1,366 million).

Our sales of optical and other products increased a significant 42.0%, to ¥120.6 billion (U.S.\$1,138 million), reflecting active capital investment by manufacturers in the healthy semiconductor market.

Under the aforementioned conditions, consolidated net sales of Canon advanced 5.3%, to ¥1,362.9 billion (U.S.\$12,858 million). The strong yen impacted our income results, but the effects of cost reductions under our production reformation activities and other factors allowed us to achieve a ratio of gross profit to net sales of approximately the same level as in the first half of 1999. In addition, aggressive efforts to reduce selling, general and administrative costs sustained a substantial increase in income before income taxes, which grew 57.5%, to ¥117.7 billion (U.S.\$1,110 million). Furthermore, a large decrease in our effective tax rate, owing to a reduction in corporate income taxes in Japan, led to a 111.9% increase in net income, to ¥68.4 billion (U.S.\$645 million), a new record for first-half net income of Canon.

Reflecting Canon's notable increase in net income and efforts to decrease working capital, net cash provided by operating activities considerably increased by ¥54.6 billion (U.S.\$515 million), to ¥192.9 billion (U.S.\$1,820 million). The favorable effects of production reformation activities and the completion of investment projects for base equipment and facilities let Canon constrain capital investment, leading to ¥80.8 billion (U.S.\$762 million) in net cash used in investing activities, and creating a free cash flow of ¥112.1 billion (U.S.\$1,058 million). Owing mainly to active efforts to repay debt during the term under review, net cash used in financing activities amounted to ¥95.9 billion (U.S.\$905 million). In this environment, cash and cash equivalents at the end of the term were ¥497.2 billion (U.S.\$4,691 million), up ¥16.7 billion (U.S.\$158 million) from December 31, 1999.

On a non-consolidated basis, net sales of Canon Inc. expanded 10.7%, to ¥814.1 billion (U.S.\$7,680 million). Ordinary profit grew 45.5%, to ¥80.1 billion (U.S.\$756 million), and net income increased 39.7%, to ¥43.5 billion (U.S.\$410 million).

The Board of Directors voted to pay an interim dividend of ¥8.5 (U.S.\$0.08) per share of common stock, the same amount as in the first half of 1999. Assuming that no major changes in Canon's operating environment occur during the remainder of the year, an increase in the year-end dividend is planned, to ¥3 (U.S.\$0.03), which will bring dividends for the year to ¥20 (U.S.\$0.19) per share.

Outlook for Fiscal 2000

Although the rate of growth in the U.S. economy is seen slowing in the 2nd half of 2000, the economy as a whole will remain strong. European economies are expected to continue growing, sustained by favorable exports. In Japan, although a full-scale recovery in personal spending cannot be expected, the overall economy is anticipated to move slowly in the direction of recovery. In Canon's major markets, continuing IT-related investment is expected to sustain the strong demand for information-related equipment seen in the first half. Nevertheless, factors such as intense competitiveness in both product development and pricing will continue creating a severe operating environment. Expansion in equipment investment by semiconductor makers should support a rise in demand for our semiconductor production equipment. Amidst these conditions, and reflecting the importance of 2000 as the year of completion of Phase I of the Excellent Global Corporation Plan, Canon will work to introduce appealing products that meet customer needs while it steps up management reformation efforts to further improve efficiency throughout its operations, from product development and production to sales and logistics.

For the year 2000 as a whole, Canon forecasts consolidated net sales of ¥2,770.0 billion (U.S.\$26,132 million), income before income taxes of ¥230.0 billion (U.S.\$2,170 million) and net income of ¥125.0 billion (U.S.\$1,179 million). Canon Inc. expects that its non-consolidated net sales will reach ¥1,640.0 billion (U.S.\$15,472 million), ordinary profit will be ¥150.0 billion (U.S.\$1,415 million), and net income will total ¥83.0 billion (U.S.\$783 million). These forecasts assume currency exchange rates of ¥105 to the U.S. dollar and ¥98 to the euro.

These reports contain forward-looking statements which reflect management's current views with respects to certain future events and financial performance. Actual results may differ materially from those projected or implied in any forward looking statements. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. ("Cautionary Statements for Purposes of the Safe Harbor' Provisions of the United States Private Securities Litigation Reform Act of 1995.")

Note:

U.S. dollar amounts are translated from yen at the rate of ¥106 = U.S.\$ 1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2000.

1. CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Change(%)	Millions of yen	Thousands of U.S. dollars
	Six months ended June 30, 2000 (Unaudited)	Six months ended June 30, 1999 (Unaudited)		Year ended December 31, 1999	Six months ended June 30, 2000 (Unaudited)
Net sales	¥ 1,362,915	¥ 1,294,815	+ 5.3	¥ 2,622,265	\$ 12,857,689
Cost of sales	772,722	734,994		1,497,940	7,289,831
Gross profit	590,193	559,821	+ 5.4	1,124,325	5,567,858
Selling, general and administrative expenses	467,051	476,088		948,269	4,406,141
Operating profit	123,142	83,733	+ 47.1	176,056	1,161,717
Other income (deductions):					
Interest and dividend income	5,342	5,641		10,222	50,396
Interest expense	(7,404)	(10,452)		(20,356)	(69,849)
Other, net	(3,303)	(4,144)		(9,850)	(31,160)
	(5,365)	(8,955)		(19,984)	(50,613)
Income before income taxes	117,777	74,778	+ 57.5	156,072	1,111,104
Income taxes	46,300	40,695		83,939	436,793
Income before minority interests	71,477	34,083		72,133	674,311
Minority interests	2,995	1,759		1,899	28,254
Net income	¥ 68,482	¥ 32,324	+ 111.9	¥ 70,234	\$ 646,057
Net income per share:	Yen			Yen	U.S. dollars
Basic	¥ 78.55	¥ 37.14		¥ 80.66	\$ 0.74
Diluted	77.42	36.60		79.50	0.73

2. DETAILS OF SALES**Sales by product**

	Millions of yen		Change(%)	Millions of yen	Thousands of U.S. dollars
	Six months ended June 30, 2000 (Unaudited)	Six months ended June 30, 1999 (Unaudited)		Year ended December 31, 1999	Six months ended June 30, 2000 (Unaudited)
Business machines:					
Copying machines	¥ 408,627	¥ 419,375	- 2.6	¥ 842,082	\$ 3,854,972
Computer peripherals	513,005	471,480	+ 8.8	965,499	4,839,670
Business systems	175,790	189,860	- 7.4	356,350	1,658,396
	1,097,422	1,080,715	+ 1.5	2,163,931	10,353,038
Cameras	144,835	129,156	+ 12.1	277,349	1,366,368
Optical and other products	120,658	84,944	+ 42.0	180,985	1,138,283
Total	¥ 1,362,915	¥ 1,294,815	+ 5.3	¥ 2,622,265	\$ 12,857,689

Sales by region

	Millions of yen		Change(%)	Millions of yen	Thousands of U.S. dollars
	Six months ended June 30, 2000 (Unaudited)	Six months ended June 30, 1999 (Unaudited)		Year ended December 31, 1999	Six months ended June 30, 2000 (Unaudited)
Japan	¥ 399,211	¥ 377,261	+ 5.8	¥ 755,704	\$ 3,766,142
Overseas:					
Americas	453,921	443,901	+ 2.3	913,377	4,282,274
Europe	382,365	371,332	+ 3.0	741,657	3,607,217
Other areas	127,418	102,321	+ 24.5	211,527	1,202,056
	963,704	917,554	+ 5.0	1,866,561	9,091,547
Total	¥ 1,362,915	¥ 1,294,815	+ 5.3	¥ 2,622,265	\$ 12,857,689

3. SEGMENT INFORMATION BY PRODUCT

	Millions of yen			Change(%)	Millions of yen	Thousands of U.S. dollars
	Six months ended June 30, 2000 (Unaudited)	Six months ended June 30, 1999 (Unaudited)	Year ended December 31, 1999		Six months ended June 30, 2000 (Unaudited)	
Business Machines						
Net sales						
Unaffiliated customers	¥ 1,097,422	¥ 1,080,715	+ 1.5	¥ 2,163,931	\$ 10,353,038	
Intersegment	-	-	-	-	-	
Total	1,097,422	1,080,715	+ 1.5	2,163,931	10,353,038	
Operating cost and expenses	928,967	947,175	- 1.9	1,902,053	8,763,840	
Operating profit	168,455	133,540	+26.1	261,878	1,589,198	
Cameras						
Net sales						
Unaffiliated customers	¥ 144,835	¥ 129,156	+ 12.1	¥ 277,349	\$ 1,366,368	
Intersegment	-	-	-	-	-	
Total	144,835	129,156	+ 12.1	277,349	1,366,368	
Operating cost and expenses	133,365	121,181	+ 10.1	258,382	1,258,160	
Operating profit	11,470	7,975	+43.8	18,967	108,208	
Optical and other products						
Net sales						
Unaffiliated customers	¥ 120,658	¥ 84,944	+42.0	¥ 180,985	\$ 1,138,283	
Intersegment	55,430	36,821	+50.5	79,413	522,925	
Total	176,088	121,765	+44.6	260,398	1,661,208	
Operating cost and expenses	176,824	130,021	+36.0	273,631	1,668,151	
Operating profit	(736)	(8,256)	-	(13,233)	(6,943)	
Corporate and Eliminations						
Net sales						
Unaffiliated customers	-	-	-	-	-	
Intersegment	(55,430)	(36,821)	-	(79,413)	(522,925)	
Total	(55,430)	(36,821)	-	(79,413)	(522,925)	
Operating cost and expenses	617	12,705	-95.1	12,143	5,821	
Operating profit	(56,047)	(49,526)	-	(91,556)	(528,746)	
Consolidated						
Net sales						
Unaffiliated customers	¥ 1,362,915	¥ 1,294,815	+ 5.3	¥ 2,622,265	\$ 12,857,689	
Intersegment	-	-	-	-	-	
Total	1,362,915	1,294,815	+ 5.3	2,622,265	12,857,689	
Operating cost and expenses	1,239,773	1,211,082	+ 2.4	2,446,209	11,695,972	
Operating profit	123,142	83,733	+47.1	176,056	1,161,717	

Notes: 1. General corporate expenses of JPY 55,775 million (U.S.\$526,179 thousand) and JPY 49,385 million in the first half of 2000 and 1999, respectively, are included in "Corporate and Eliminations."

2. General corporate expenses of JPY 91,540 million in the year ended December 31, 1999 is included in "Corporate and Eliminations."

4. SEGMENT INFORMATION BY GEOGRAPHIC AREA

	Millions of yen			Change(%)	Millions of yen	Thousands of U.S. dollars
	Six months ended June 30, 2000 (Unaudited)	Six months ended June 30, 1999 (Unaudited)	Year ended December 31, 1999		Six months ended June 30, 2000 (Unaudited)	
Japan						
Net sales						
Unaffiliated customers	¥ 426,073	¥ 395,244	+ 7.8	¥ 791,399	\$ 4,019,556	
Intersegment	653,406	600,205	+ 8.9	1,205,021	6,164,208	
Total	1,079,479	995,449	+ 8.4	1,996,420	10,183,764	
Operating cost and expenses	918,880	889,179	+ 3.3	1,791,871	8,668,679	
Operating profit	160,599	106,270	+ 51.1	204,549	1,515,085	
Americas						
Net sales						
Unaffiliated customers	¥ 453,905	¥ 442,807	+ 2.5	¥ 912,676	\$ 4,282,122	
Intersegment	4,958	7,154	- 30.7	14,468	46,774	
Total	458,863	449,961	+ 2.0	927,144	4,328,896	
Operating cost and expenses	442,134	435,230	+ 1.6	898,900	4,171,075	
Operating profit	16,729	14,731	+ 13.6	28,244	157,821	
Europe						
Net sales						
Unaffiliated customers	¥ 380,092	¥ 368,751	+ 3.1	¥ 736,570	\$ 3,585,774	
Intersegment	1,462	1,034	+ 41.4	3,645	13,792	
Total	381,554	369,785	+ 3.2	740,215	3,599,566	
Operating cost and expenses	374,245	362,592	+ 3.2	727,215	3,530,613	
Operating profit	7,309	7,193	+ 1.6	13,000	68,953	
Others						
Net sales						
Unaffiliated customers	¥ 102,845	¥ 88,013	+ 16.9	¥ 181,620	\$ 970,237	
Intersegment	107,962	86,649	+ 24.6	179,527	1,018,509	
Total	210,807	174,662	+ 20.7	361,147	1,988,746	
Operating cost and expenses	207,423	170,281	+ 21.8	350,482	1,956,821	
Operating profit	3,384	4,381	- 22.8	10,665	31,925	
Corporate and Eliminations						
Net sales						
Unaffiliated customers	-	-	-	-	-	
Intersegment	(767,788)	(695,042)	-	(1,402,661)	(7,243,283)	
Total	(767,788)	(695,042)	-	(1,402,661)	(7,243,283)	
Operating cost and expenses	(702,909)	(646,200)	-	(1,322,259)	(6,631,216)	
Operating profit	(64,879)	(48,842)	-	(80,402)	(612,067)	
Consolidated						
Net sales						
Unaffiliated customers	¥ 1,362,915	¥ 1,294,815	+ 5.3	¥ 2,622,265	\$ 12,857,689	
Intersegment	-	-	-	-	-	
Total	1,362,915	1,294,815	+ 5.3	2,622,265	12,857,689	
Operating cost and expenses	1,239,773	1,211,082	+ 2.4	2,446,209	11,695,972	
Operating profit	123,142	83,733	+ 47.1	176,056	1,161,717	

Notes: 1. General corporate expenses of JPY 55,775 million (U.S.\$526,179 thousand) and JPY 49,385 million in the first half of 2000 and 1999, respectively, are included in "Corporate and Eliminations."

2. General corporate expenses of JPY 91,540 million in the year ended December 31, 1999 is included in "Corporate and Eliminations."

5. CONSOLIDATED BALANCE SHEETS

	Millions of yen			Millions of yen	Thousands of U.S. dollars
	As of June 30, 2000 (Unaudited)	As of Dec. 31, 1999	Change	As of June 30, 1999 (Unaudited)	As of June 30, 2000 (Unaudited)
ASSETS					
Current assets:					
Cash and cash equivalents	¥ 497,207	¥ 480,453	¥ 16,754	¥ 524,698	\$ 4,690,632
Marketable securities	12,550	9,003	3,547	10,741	118,396
Trade receivables, less allowance	382,552	376,472	6,080	368,710	3,608,981
Inventories	438,009	436,250	1,759	535,050	4,132,160
Prepaid expenses and other current assets	188,763	184,411	4,352	199,580	1,780,784
Total current assets	1,519,081	1,486,589	32,492	1,638,779	14,330,953
Noncurrent receivables and restricted funds	29,050	29,771	(721)	34,350	274,057
Investments	135,951	166,464	(30,513)	115,785	1,282,557
Net property, plant and equipment	756,115	746,824	9,291	782,373	7,133,160
Other assets	184,138	157,884	26,254	186,731	1,737,150
Total assets	¥ 2,624,335	¥ 2,587,532	¥ 36,803	¥ 2,758,018	\$ 24,757,877
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term loans	¥ 210,408	¥ 298,399	¥ (87,991)	¥ 422,374	\$ 1,984,981
Trade payables	435,275	364,664	70,611	398,810	4,106,368
Income taxes	42,071	45,915	(3,844)	35,367	396,896
Accrued expenses	120,773	117,390	3,383	132,686	1,139,368
Other current liabilities	57,009	50,491	6,518	51,139	537,821
Total current liabilities	865,536	876,859	(11,323)	1,040,376	8,165,434
Long-term debt, excluding current installments	165,889	165,277	612	169,314	1,564,991
Accrued pension and severance cost	134,776	132,826	1,950	134,637	1,271,472
Other noncurrent liabilities	11,238	11,325	(87)	12,315	106,018
Total liabilities	1,177,439	1,186,287	(8,848)	1,356,642	11,107,915
Minority interests	200,521	199,242	1,279	205,478	1,891,708
Stockholders' equity:					
Common stock	164,346	163,969	377	163,164	1,550,434
Additional paid-in capital	377,218	376,848	370	376,044	3,558,660
Legal reserve	34,644	33,518	1,126	32,678	326,830
Retained earnings	795,922	735,975	59,947	706,339	7,508,698
Accumulated other comprehensive income (loss)	(125,755)	(108,307)	(17,448)	(82,327)	(1,186,368)
Total stockholders' equity	1,246,375	1,202,003	44,372	1,195,898	11,758,254
Total liabilities and stockholders' equity	¥ 2,624,335	¥ 2,587,532	¥ 36,803	¥ 2,758,018	\$ 24,757,877
Allowance for doubtful receivables					
	Millions of yen			Millions of yen	Thousands of U.S. dollars
	As of June 30, 2000 (Unaudited)	As of Dec. 31, 1999		As of June 30, 1999 (Unaudited)	As of June 30, 2000 (Unaudited)
Allowance for doubtful receivables	¥ 15,342	¥ 15,089		¥ 16,790	\$ 144,736
Accumulated depreciation	940,876	913,572		906,222	8,876,189
Accumulated other comprehensive income (loss):					
Foreign currency translation adjustments	(127,364)	(127,148)		(67,571)	(1,201,547)
Net unrealized gains on securities	29,091	48,699		20,729	274,443
Minimum pension liability adjustments	(27,482)	(29,858)		(35,485)	(259,264)

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen			Thousands of U.S. dollars
	Six months ended June 30, 2000	Six months ended June 30, 1999	Year ended December 31, 1999	Six months ended June 30, 2000
	(Unaudited)	(Unaudited)		(Unaudited)
Net income	¥ 68,482	¥ 32,324	¥ 70,234	\$ 646,057
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	66,018	74,855	158,111	622,811
Loss on disposal of property and equipment	6,823	3,576	8,814	64,368
Deferred income taxes	(4,883)	1,980	(5,972)	(46,066)
Decrease (increase) in trade receivables	(6,155)	47,188	(1,231)	(58,066)
Decrease (increase) in inventories	(2,420)	13,377	107,913	(22,830)
Increase (decrease) in trade payables	63,735	(8,356)	(22,950)	601,274
Decrease in income taxes	(4,188)	(25,995)	(13,966)	(39,509)
Increase (decrease) in accrued expenses	5,301	(139)	3,206	50,009
Other, net	255	(447)	4,758	2,405
Net cash provided by operating activities	192,968	138,363	308,917	1,820,453
Cash flows from investing activities:				
Capital expenditure	(81,573)	(121,556)	(200,386)	(769,557)
Proceeds from sale of property, plant and equipment	2,602	2,572	6,104	24,547
Payment for purchase of marketable securities	(6,209)	(11,529)	(12,349)	(58,575)
Proceeds from sale of marketable securities	5,408	3,059	6,637	51,019
Payment for purchase of investments	(8,769)	(8,037)	(9,770)	(82,726)
Other	7,672	19,108	8,782	72,377
Net cash used in investing activities	(80,869)	(116,383)	(200,982)	(762,915)
Cash flows from financing activities:				
Proceeds from long-term debt	13,216	9,519	23,811	124,679
Repayment of long-term debt	(21,329)	(23,746)	(75,005)	(201,217)
Increase (decrease) in short-term loans	(79,198)	28,236	(51,871)	(747,151)
Dividends paid	(7,408)	(7,398)	(14,797)	(69,887)
Other	(1,276)	(1,410)	(4,961)	(12,037)
Net cash provided by (used in) financing activities	(95,995)	5,201	(122,823)	(905,613)
Effect of exchange rate changes on cash and cash equivalents	650	(1,665)	(3,841)	6,132
Net change in cash and cash equivalents	16,754	25,516	(18,729)	158,057
Cash and cash equivalents at beginning of period	480,453	499,182	499,182	4,532,575
Cash and cash equivalents at end of period	¥ 497,207	¥ 524,698	¥ 480,453	\$ 4,690,632

- Notes: 1. U.S. dollar amounts are translated from yen at the rate of JPY106 = U.S.\$ 1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2000.
2. Canon's comprehensive income consists of net income, change in foreign currency translation adjustments, change in net unrealized gains on securities and change in minimum pension liability adjustments. Comprehensive income for the six months ended June 30, 2000 and 1999 were JPY 51,034 million (U.S.\$ 481,453 thousand) and JPY 47,482 million, respectively.

1. NON-CONSOLIDATED STATEMENTS OF INCOME**(Parent company only)**

	Millions of yen		Change(%)	Millions of yen
	Six months ended June 30, 2000	Six months ended June 30, 1999		Year ended December 31, 1999
Net sales	¥ 814,172	¥ 735,383	+ 10.7	¥ 1,482,393
Cost of sales	562,710	529,245		1,071,462
Gross profit	251,461	206,138	+ 22.0	410,930
Selling, general and administrative expenses	163,670	153,457		308,255
Operating profit	87,790	52,680	+ 66.6	102,674
Other income (deductions):				
Interest and dividend income	5,218	5,641		14,957
Interest expense	(4,522)	(6,040)		(11,921)
Other, net	(8,373)	2,767		7,795
	(7,677)	2,368		10,831
Ordinary profit	80,113	55,048	+ 45.5	113,506
Non-ordinary loss, net	9,830	1,902		7,965
Income before income taxes	70,283	53,146		105,541
Income taxes	26,752	21,979		46,400
Net income	¥ 43,531	¥ 31,167	+ 39.7	¥ 59,141
Net income per share:	Yen			Yen
Basic	¥ 49.93	¥ 35.81		¥ 67.92

Note : Amounts less than 1 million yen have been omitted.

2. DETAILS OF SALES**(Parent company only)****Sales by product**

	Millions of yen			Millions of yen
	Six months ended June 30, 2000	Six months ended June 30, 1999	Change(%)	Year ended December 31, 1999
Business machines:				
<i>Copying machines</i>	¥ 200,373	¥ 191,070	+ 4.9	¥ 384,785
<i>Computer peripherals</i>	409,835	375,526	+ 9.1	746,529
<i>Business systems</i>	37,867	42,261	- 10.4	81,832
	648,076	608,857	+ 6.4	1,213,147
Cameras	106,440	91,645	+ 16.1	190,988
Optical and other products	59,655	34,880	+ 71.0	78,257
Total	¥ 814,172	¥ 735,383	+ 10.7	¥ 1,482,393

Sales by region

	Millions of yen			Millions of yen
	Six months ended June 30, 2000	Six months ended June 30, 1999	Change(%)	Year ended December 31, 1999
Japan	¥ 149,713	¥ 134,940	+ 10.9	¥ 275,516
Overseas:				
<i>Americas</i>	301,973	290,890	+ 3.8	575,123
<i>Europe</i>	269,445	239,314	+ 12.6	484,469
<i>Other areas</i>	93,039	70,237	+ 32.5	147,282
	664,458	600,442	+ 10.7	1,206,876
Total	¥ 814,172	¥ 735,383	+ 10.7	¥ 1,482,393

Note: Amounts less than 1 million yen have been omitted.

3. NON-CONSOLIDATED BALANCE SHEETS

(Parent company only)

	Millions of yen			Millions of yen
	As of June 30, 2000	As of Dec. 31, 1999	Change	As of June 30, 1999
ASSETS				
Current assets:				
Cash	¥ 115,797	¥ 121,793	¥ (5,996)	¥ 149,279
Trade receivables	349,650	241,321	108,329	174,269
Marketable securities	4,355	2,550	1,805	2,777
Inventories	163,458	181,292	(17,834)	225,336
Prepaid expenses and other current assets	116,726	95,965	20,761	85,854
Allowance for doubtful accounts	(11,785)	(8,137)	(3,648)	(8,588)
Total current assets	738,202	634,786	103,416	628,929
Fixed assets:				
Net property, plant and equipment	392,257	383,102	9,155	393,760
Intangibles	50,536	671	49,865	710
Investments and other fixed assets	326,866	374,880	(48,014)	369,977
Allowance for doubtful accounts	(112)	(158)	46	(138)
Total fixed assets	769,548	758,496	11,052	764,311
Total assets	¥ 1,507,751	¥ 1,393,283	¥ 114,468	¥ 1,393,240
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Trade payables	¥ 326,519	¥ 275,992	¥ 50,527	¥ 298,855
Short-term loans	9,058	9,871	(813)	9,913
Income taxes	28,051	23,688	4,363	21,062
Other current liabilities	33,155	29,954	3,201	29,848
Total current liabilities	396,785	339,507	57,278	359,679
Long-term debt, excluding current installments	63,630	64,581	(951)	66,551
Total liabilities	460,415	404,088	56,327	426,230
Stockholders' equity:				
Common stock	164,345	163,969	376	163,163
Additional paid-in capital	285,455	285,080	375	284,275
Legal reserve	19,344	18,592	752	17,853
Retained earnings	578,188	521,552	56,636	501,717
Total stockholders' equity	1,047,335	989,194	58,141	967,009
Total liabilities and stockholders' equity	¥ 1,507,751	¥ 1,393,283	¥ 114,468	¥ 1,393,240
Accumulated depreciation				
	¥ 557,942	¥ 549,788		¥ 537,367

Note : Amounts less than 1 million yen have been omitted.

**CONSOLIDATED FINANCIAL RESULTS
SEMI-ANNUAL 2000
SUPPLEMENTARY REPORT**

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This report contains forward-looking statements which reflect management's current views with respects to certain future events and financial performance. Actual results may differ materially from those projected or implied in any forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. ("Cautionary Statements for Purposes of the Safe Harbor' Provisions of the United States Private Securities Litigation Reform Act of 1995.")

1. SALES BY REGION AND PRODUCT

(Millions of yen)

	1999 1st. Half	2000 1st. Half	Change(%)	1999 Year	2000 Year Projected	Change(%)
Japan						
Business machines	305,706	309,505	+1.2%	601,584	620,926	+3.2%
Copying machines	122,885	118,519	-3.6%	244,880	247,596	+1.1%
Computer peripherals	69,323	76,603	+10.5%	147,655	161,355	+9.3%
Business systems	113,498	114,383	+0.8%	209,049	211,975	+1.4%
Cameras	32,711	38,848	+18.8%	68,483	78,810	+15.1%
Optical and other products	38,844	50,858	+30.9%	85,637	108,164	+26.3%
Total	377,261	399,211	+5.8%	755,704	807,900	+6.9%
Overseas						
Business machines	775,009	787,917	+1.7%	1,562,347	1,588,874	+1.7%
Copying machines	296,490	290,108	-2.2%	597,202	585,404	-2.0%
Computer peripherals	402,157	436,402	+8.5%	817,844	876,545	+7.2%
Business systems	76,362	61,407	-19.6%	147,301	126,925	-13.8%
Cameras	96,445	105,987	+9.9%	208,866	227,090	+8.7%
Optical and other products	46,100	69,800	+51.4%	95,348	146,136	+53.3%
Total	917,554	963,704	+5.0%	1,866,561	1,962,100	+5.1%
Americas						
Business machines	383,555	383,997	+0.1%	784,320	775,260	-1.2%
Copying machines	142,030	150,130	+5.7%	292,374	297,940	+1.9%
Computer peripherals	208,854	209,529	+0.3%	429,312	427,365	-0.5%
Business systems	32,671	24,338	-25.5%	62,634	49,955	-20.2%
Cameras	41,911	48,796	+16.4%	95,121	107,395	+12.9%
Optical and other products	18,435	21,128	+14.6%	33,936	45,145	+33.0%
Total	443,901	453,921	+2.3%	913,377	927,800	+1.6%
Europe						
Business machines	317,486	325,525	+2.5%	628,414	653,951	+4.1%
Copying machines	132,244	117,697	-11.0%	260,235	240,125	-7.7%
Computer peripherals	149,638	177,194	+18.4%	298,745	349,504	+17.0%
Business systems	35,604	30,634	-14.0%	69,434	64,322	-7.4%
Cameras	43,317	43,797	+1.1%	90,536	92,754	+2.4%
Optical and other products	10,529	13,043	+23.9%	22,707	29,695	+30.8%
Total	371,332	382,365	+3.0%	741,657	776,400	+4.7%
Other areas						
Business machines	73,968	78,395	+6.0%	149,613	159,663	+6.7%
Copying machines	22,216	22,281	+0.3%	44,593	47,339	+6.2%
Computer peripherals	43,665	49,679	+13.8%	89,787	99,676	+11.0%
Business systems	8,087	6,435	-20.4%	15,233	12,648	-17.0%
Cameras	11,217	13,394	+19.4%	23,209	26,941	+16.1%
Optical and other products	17,136	35,629	+107.9%	38,705	71,296	+84.2%
Total	102,321	127,418	+24.5%	211,527	257,900	+21.9%
Total						
Business machines	1,080,715	1,097,422	+1.5%	2,163,931	2,209,800	+2.1%
Copying machines	419,375	408,627	-2.6%	842,082	833,000	-1.1%
Computer peripherals	471,480	513,005	+8.8%	965,499	1,037,900	+7.5%
Business systems	189,860	175,790	-7.4%	356,350	338,900	-4.9%
Cameras	129,156	144,835	+12.1%	277,349	305,900	+10.3%
Optical and other products	84,944	120,658	+42.0%	180,985	254,300	+40.5%
Total	1,294,815	1,362,915	+5.3%	2,622,265	2,770,000	+5.6%

2. SEGMENT INFORMATION BY PRODUCT

(Millions of yen)

	1999 1st. Half	2000 1st. Half	Change(%)	1999 Year	2000 Year Projected	Change(%)
Business machines						
Unaffiliated customers	1,080,715	1,097,422	+1.5%	2,163,931	2,209,800	+2.1%
Intersegment	-	-	-	-	-	-
Total sales	1,080,715	1,097,422	+1.5%	2,163,931	2,209,800	+2.1%
Operating profit	133,540	168,455	+26.1%	261,878	319,900	+22.2%
% of sales	12.4%	15.4%	-	12.1%	14.5%	-
Cameras						
Unaffiliated customers	129,156	144,835	+12.1%	277,349	305,900	+10.3%
Intersegment	-	-	-	-	-	-
Total sales	129,156	144,835	+12.1%	277,349	305,900	+10.3%
Operating profit	7,975	11,470	+43.8%	18,967	26,300	+38.7%
% of sales	6.2%	7.9%	-	6.8%	8.6%	-
Optical and other products						
Unaffiliated customers	84,944	120,658	+42.0%	180,985	254,300	+40.5%
Intersegment	36,821	55,430	+50.5%	79,413	107,000	+34.7%
Total sales	121,765	176,088	+44.6%	260,398	361,300	+38.7%
Operating profit	-8,256	-736	-	-13,233	1,800	-
% of sales	-6.8%	-0.4%	-	-5.1%	0.5%	-
Corporate and Eliminations						
Unaffiliated customers	-	-	-	-	-	-
Intersegment	-36,821	-55,430	-	-79,413	-107,000	-
Total sales	-36,821	-55,430	-	-79,413	-107,000	-
Operating profit	-49,526	-56,047	-	-91,556	-103,000	-
Consolidated						
Unaffiliated customers	1,294,815	1,362,915	+5.3%	2,622,265	2,770,000	+5.6%
Intersegment	-	-	-	-	-	-
Total sales	1,294,815	1,362,915	+5.3%	2,622,265	2,770,000	+5.6%
Operating profit	83,733	123,142	+47.1%	176,056	245,000	+39.2%
% of sales	6.5%	9.0%	-	6.7%	8.8%	-

3. PROFITABILITY

	1999 1st. Half	2000 1st. Half	Difference	1999 Year	2000 Year Projected	Difference
ROE	5.5%	11.2%	+5.7%	6.0%	10.0%	+4.0%
ROA	2.4%	5.3%	+2.9%	2.6%	4.8%	+2.2%

4. IMPACT OF FOREIGN EXCHANGE RATES ON SALES

	1999 1st. Half	2000 1st. Half	Change	1999 Year	2000 Year Projected	Change
Impact of foreign exchange rates (Billions of yen)						
US\$	-65.4	-74.2	-	-183.5	-92.7	-
EUR	-28.8	-65.9	-	-111.0	-106.0	-
Other currencies	-2.6	-4.1	-	-5.7	-11.0	-
Total	-96.8	-144.2	-	-300.2	-209.7	-
Exchange rates (Yen)						
Yen/US\$	119.2	106.9	-12.3	113.5	106.0	-7.5
Yen/EUR	129.2	102.5	-26.7	120.4	100.3	-20.1

5. CASH FLOWS

(Millions of yen)

	1999 1st. Half	2000 1st. Half	Change	1999 Year	2000 Year Projected	Change
Net cash provided by operating activities						
Net income	32,324	68,482	36,158	70,234	125,000	54,766
Depreciation and amortization	74,855	66,018	-8,837	158,111	155,000	-3,111
Other, net	31,184	58,468	27,284	80,572	30,668	-49,904
Total	138,363	192,968	54,605	308,917	310,668	1,751
Net cash used in investing activities	-116,383	-80,869	35,514	-200,982	-183,867	17,115
Free cash flow	21,980	112,099	90,119	107,935	126,801	18,866
Net cash provided by (used in) financing activities	5,201	-95,995	-101,196	-122,823	-147,204	-24,381
Effect of exchange rate changes on cash & cash equivalents	-1,665	650	2,315	-3,841	650	4,491
Net change in cash and cash equivalents	25,516	16,754	-8,762	-18,729	-19,753	-1,024
Cash and cash equivalents at end of each term	524,698	497,207	-27,491	480,453	460,700	-19,753

6. CAPITAL EXPENDITURE

(Millions of yen)

	1999 1st. Half	2000 1st. Half	Change	1999 Year	2000 Year Projected	Change
Capital expenditure	121,556	81,573	-39,983	200,386	180,000	-20,386
Depreciation and amortization	74,855	66,018	-8,837	158,111	155,000	-3,111

7. R&D EXPENDITURE

(Millions of yen)

	1999 1st. Half	2000 1st. Half	Change	1999 Year	2000 Year Projected	Change
R&D expenditure	85,937	88,239	2,302	177,922	180,000	2,078
% of sales	6.6%	6.5%	-	6.8%	6.5%	-

8. INVENTORIES

(Millions of yen)

	1999 Jun.30	1999 Dec.31	2000 Jun.30	Change Dec./99
Inventories				
Business machines	377,990	299,521	298,675	-846
Cameras	57,030	44,639	49,730	5,091
Optical and other products	100,030	92,090	89,604	-2,486
Total	535,050	436,250	438,009	1,759

(Days)

	1999 Jun.30	1999 Dec.31	2000 Jun.30	Change Dec./99
Inventories/Sales*				
Business machines	64	51	50	-1
Cameras	81	55	63	8
Optical and other products	215	175	136	-39
Total	75	60	59	-1

*Index based on 1st half sales for June and 2nd half sales for December

9. DEBT RATIO

	1999 Jun.30	1999 Dec.31	2000 Jun.30	Difference Dec./99
Total debt / Total assets	21.5%	17.9%	14.3%	-3.6%

10. NUMBER OF EMPLOYEES

	1999 Jun.30	1999 Dec.31	2000 Jun.30	Change Dec./99
Number of employees				
Japan	38,721	38,222	39,605	1,383
Overseas	41,850	42,787	44,705	1,918
Total	80,571	81,009	84,310	3,301