



Interim Report for the 119th Business Term

From January 1, 2019 to June 30, 2019

To Our Shareholders

We are pleased to provide this overview of the first half (from January 1, 2019 to June 30, 2019) of our 119th Business Term.

The world economy in the first half of this term saw a slowdown in growth as a whole due to a deceleration in European economy and the effect of the lingering U.S.-China trade friction.

Under such conditions, corporate demand for office multifunction devices and laser printers stagnated, while the markets for digital cameras and inkjet printers continued to shrink. As a result, both Office Business Unit and Imaging System Business Unit experienced a decrease in sales. Sales of the Medical System Business Unit, which delivered strong sales results for computed tomography (CT) systems and other products in the Americas, increased. On the other hand, sales of the Industry and Others Business Unit, which includes semiconductor lithography equipment, decreased as customers continued to adjust their capital investment.

As a result of the above, on a consolidated basis, net sales for the first half of this term decreased by 10.0% year on year, while net income attributable to Canon Inc. decreased by 51.2% year on year. For the interim dividend, we decided to pay 80.00 yen per share, which is the same amount as the interim dividend for the previous term, from the perspective of ensuring stable returns to shareholders.

Although the business environment surrounding the Canon Group remains fluid, we will endeavor to improve our business results by further improving the competitiveness of our products and services not only in existing businesses, but also in steadily growing new businesses.

We look forward to our shareholders' continued support and encouragement.

August, 2019

Chairman & CEO **FUJIO MITARAI**

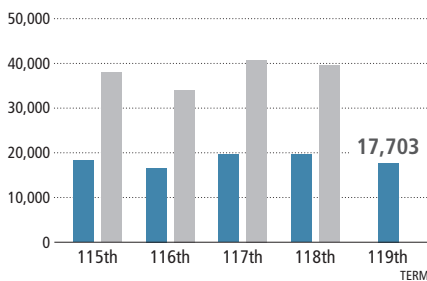


Highlights of Consolidated Results

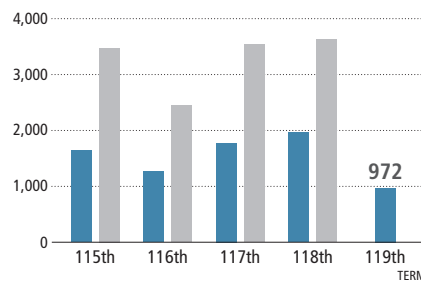
- In the first half of this term, the world economy decelerated as the impact of trade friction came to surface. In such an environment, despite our efforts in each business unit to promote the sales of highly competitive products, consolidated net sales decreased by 10.0% from the first half of the previous term due to the harsh external environment.
- Despite the ongoing group-wide cost reduction and expense reduction initiatives, consolidated net income attributable to Canon Inc. decreased by 51.2% from the first half of the previous term.

Changes in Net Sales and Profits

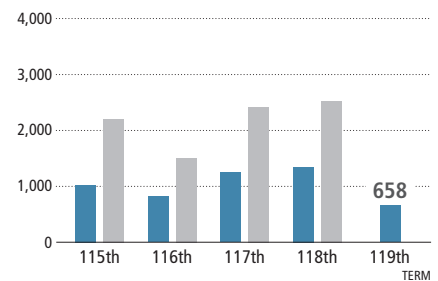
Net Sales (100 MILLIONS OF YEN)



Income before Income Taxes (100 MILLIONS OF YEN)



Net Income Attributable to Canon Inc. (100 MILLIONS OF YEN)



Constitution of Sales by Operations (100 MILLIONS OF YEN)

Industry and Others Business Unit

20.8%

Sales 3,688
Decreased by 15.7% from the First Half of the Previous Term

Medical System Business Unit

12.1%

Sales 2,146
Increased by 1.3% from the First Half of the Previous Term

Total

Sales 17,703
Decreased by 10.0% from the First Half of the Previous Term

Office Business Unit

48.2%

Sales 8,535
Decreased by 5.7% from the First Half of the Previous Term

Imaging System Business Unit

21.5%

Sales 3,810
Decreased by 17.8% from the First Half of the Previous Term

Office Business Unit

Office Multifunction Devices, Laser Multifunction Printers, Laser Printers, Digital Continuous Feed Presses, Digital Sheet-Fed Presses, Wide-Format Printers, Document Solutions

Imaging System Business Unit

Interchangeable-Lens Digital Cameras, Digital Compact Cameras, Interchangeable Lenses, Compact Photo Printers, Inkjet Printers, Large Format Inkjet Printers, Commercial Photo Printers, Image Scanners, Calculators

Medical System Business Unit

Digital Radiography Systems, Diagnostic X-ray Systems, Computed Tomography (CT) Systems, Magnetic Resonance Imaging (MRI) Systems, Diagnostic Ultrasound Systems, Clinical Chemistry Analyzers, Ophthalmic Equipment

Industry and Others Business Unit

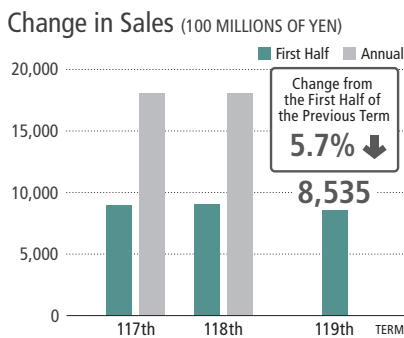
Semiconductor Lithography Equipment, FPD (Flat Panel Display) Lithography Equipment, Vacuum Thin-Film Deposition Equipment, Organic LED (OLED) Panel Manufacturing Equipment, Die Bonders, Network Cameras, Digital Camcorders, Digital Cinema Cameras, Multimedia Projectors, Broadcast Equipment, Micromotors, Handy Terminals, Document Scanners

- Notes: 1. Some business that had previously been disclosed as being included in the Office Business Unit are presented in the Industry and Others Business Unit. In addition, some business that had previously been disclosed as being included in the Imaging System Business Unit are presented in the Industry and Others Business Unit. The same restatement has been applied in relation to the previous terms.
2. The totals do not amount to 100% because the consolidated sales of each business unit include the sales relating to intersegment transactions.

Office Business Unit

In the area of office multifunction devices, sales were firm, among others, for the imageRUNNER ADVANCE Gen3 3rd Edition series, which offer improved convenience through their connectivity with external cloud services, and enhanced security. However, overall demand failed to grow and sales decreased as a whole. Sales of laser multifunction printers and laser printers also decreased.

As a result, sales for this business unit decreased by 5.7% on a consolidated basis, in comparison to the first half of the previous term.



imageRUNNER ADVANCE C5560F III
Color office multifunction device

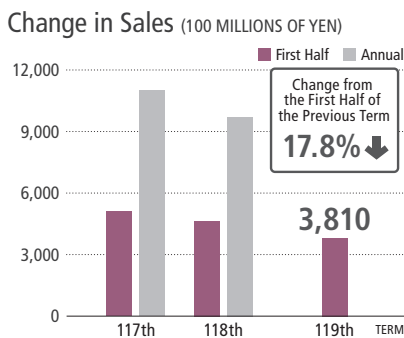


Satera LBP853Ci
A3 color laser printer

Imaging System Business Unit

Sales of digital cameras decreased as a whole, although sales of EOS Kiss M remained strong in a market that continued to shrink. Sales of inkjet printers decreased due to market shrinkage despite our sales efforts based on the enhancement of product lineups, particularly the lineup of refillable ink tank models, which were experiencing relatively high demand.

As a result, sales for this business unit decreased by 17.8% on a consolidated basis, in comparison to the first half of the previous term.



The EOS RP: a compact, lightweight mirrorless camera employing an RF mount and a full-frame sensor that realizes high image quality



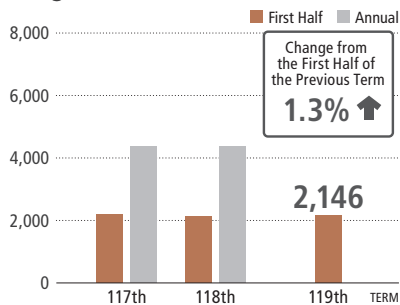
G6030: inkjet printer equipped with refillable ink tank

Medical System Business Unit

Sales during the first quarter were sluggish partly due to the delay in capital investment by medical institutions in Europe. However, during the second quarter, new products of CT systems, such as Aquilion Start, sold well particularly in the Americas. In addition, capital investment was on a recovery trend in the Japanese market as the consumption tax hike was within sight, and sales of diagnostic X-ray systems and other products increased.

As a result, sales for this business unit increased by 1.3% on a consolidated basis, in comparison to the first half of the previous term.

Change in Sales (100 MILLIONS OF YEN)



Aquilion Start
CT scanner



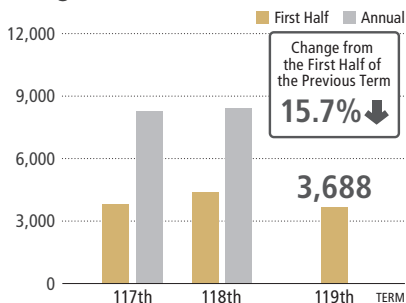
Aplio a / Verifia: diagnostic
ultrasound systems
that contribute to a comfortable
clinical environment

Industry and Others Business Unit

Sales of semiconductor lithography equipment decreased significantly due to the delay in capital investment by customers for the manufacturing of memories. Sales of FPD lithography equipment also decreased as capital investment for smartphone displays continued to undergo an adjustment phase. Sales of network cameras remained strong, due to the market expanding with the increasing diversity of their application.

As a result, sales for this business unit decreased by 15.7% on a consolidated basis, in comparison to the first half of the previous term.

Change in Sales (100 MILLIONS OF YEN)



MPAsp-H1003T
FPD lithography equipment



The ME20F-SHN: an ultra-high-sensitivity
network camera that makes possible
full-color video capture in extreme low-
light conditions

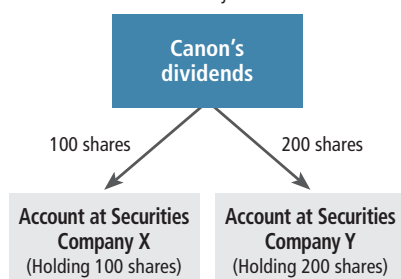
For Shareholders who Receive Dividends by Exchanging a "Receipt of Dividend"

Guidance for the Direct Deposit of Dividends into an Account

We recommend the direct deposit of dividends into an account as a safer and more expeditious way to receive dividends. Please select one of the three ways to have dividends deposited into an account that are outlined below.

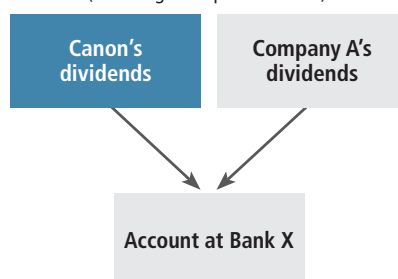
System of allocating dividends to securities company accounts in proportion to the number of shares held in respective accounts

With this method, the shareholder is able to receive dividends for each account they have with a securities company in proportion to the number of shares they hold.



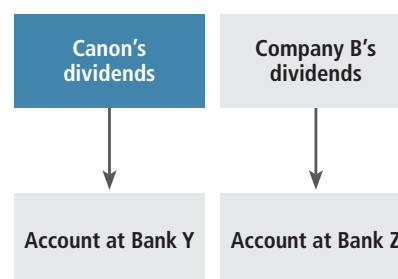
System of receiving dividends in the account registered for receipt of dividends

With this method, the shareholder is able to receive dividends for all of the issues they hold through one designated account with a financial institution (excluding the Japan Post Bank).



System of designating an account for each issue held

With this method, the shareholder is able to designate the account that the dividends will be transferred to for each issue they hold.



For information regarding procedures:

If you hold shares through a securities company, please contact the securities company where you have an account.

If you don't hold shares through a securities company, please contact Mizuho Trust & Banking Co., Ltd.

Share Handling Procedures

For inquiries	If you hold shares through a securities company:	If you don't hold shares through a securities company ^(*) :
Address change	Please contact the securities company where you have an account.	Please contact Mizuho Trust & Banking Co., Ltd.
Requests for purchase or sale of shares less than one unit		
Changing the method for receiving dividends		
How to receive non-received dividends	Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507 0120-288-324 (Toll free, available in Japan only) Operating hours: 9:00 – 17:00 (Monday – Friday, except national holidays)	

^{*} For the sale of shares, it is necessary to carry out procedures for the transfer of such shares to an account at a securities company etc. Should you have any inquiries about such procedures, please contact Mizuho Trust & Banking Co., Ltd.

Canon
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(By following the "Investor Relations" link on the top page, you can view financial information, the IR library, etc.)

Cover image

Nozori-kisuge (day lilies) in bloom
around Lake Nozoriko
(Nakanojo-machi, Agatsuma-gun, Gunma Pref.)
Camera model: EOS 5D Mark IV
EF16-35mm F4L IS USM