

CANON INC
Form 6-K
November 04, 2003

Table of Contents

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 September 30, 2003

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-_____]

TABLE OF CONTENTS

SIGNATURES

CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED
SEPTEMBER 30, 2003

Operating Results and Financial Conditions

SUPPLEMENTARY REPORT

Table of Contents

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.

Date November 4, 2003

CANON INC.

(Registrant)
By /s/ Shunji Onda

(Signature)*
Shunji Onda
General Manager, Finance Division
Canon Inc.

* Print the name and title of the signing officer under his signature.

The following materials are included.

1. CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2003
-

Table of Contents

**CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND
THE NINE MONTHS ENDED SEPTEMBER 30, 2003**

October 30, 2003

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

| | Actual | | | |
|----------------------------|--|---|---------------|---|
| | Three months ended September 30, 2003 | Three months ended September 30, 2002 | Change(%) | Three months ended September 30, 2003 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| | | | | |
| Net sales | ¥767,599 | ¥ 693,982 | + 10.6 | \$ 6,915,306 |
| Operating profit | 125,562 | 92,730 | + 35.4 | 1,131,189 |
| Income before income taxes | 117,336 | 98,376 | + 19.3 | 1,057,081 |
| Net income | <u>73,005</u> | <u>57,464</u> | <u>+ 27.0</u> | <u>657,703</u> |
| Earnings per share: | | | | |
| Basic | ¥ 83.03 | ¥ 65.54 | + 26.7 | \$ 0.75 |
| Diluted | <u>82.27</u> | <u>64.69</u> | <u>+ 27.2</u> | <u>0.74</u> |

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

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

| | Actual | | | Projected | | |
|----------------------------|---|---|---------------|---|-------------------------------------|---------------|
| | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 | Change(%) | Nine months ended September 30, 2003 | Year ending December 31, 2003 | Change(%) |
| | (Unaudited) | (Unaudited) | | (Unaudited) | | |
| | | | | | | |
| Net sales | ¥ 2,303,187 | ¥ 2,078,465 | + 10.8 | \$ 20,749,432 | ¥ 3,183,000 | + 8.3 |
| Operating profit | 341,536 | 232,758 | + 46.7 | 3,076,901 | 450,000 | + 29.9 |
| Income before income taxes | 332,842 | 225,571 | + 47.6 | 2,998,577 | 440,000 | + 33.3 |
| Net income | <u>200,772</u> | <u>130,669</u> | <u>+ 53.6</u> | <u>1,808,757</u> | <u>263,000</u> | <u>+ 37.9</u> |
| Earnings per share: | | | | | | |
| Basic | ¥ 228.58 | ¥ 149.06 | + 53.3 | \$ 2.06 | ¥ 298.96 | + 37.4 |
| Diluted | <u>226.26</u> | <u>147.15</u> | <u>+ 53.8</u> | <u>2.04</u> | | |

Actual

Edgar Filing: CANON INC - Form 6-K

| | As of September 30, 2003 | As of December 31, 2002 | Change(%) | As of September 30, 2003 |
|---------------------|--------------------------------|-------------------------------|-----------|--------------------------------|
| | (Unaudited) | (Audited) | | (Unaudited) |
| Total assets | ¥ 3,109,142 | ¥ 2,942,706 | + 5.7 | \$ 28,010,288 |
| | ¥ 1,795,462 | ¥ 1,591,950 | + 12.8 | \$ 16,175,333 |

- Notes: 1. Canon's consolidated financial statements conform with accounting principles generally accepted in the United States of America.
2. U.S. dollar amounts are translated from yen at the rate of U.S.\$1 = JPY111, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2003, solely for the convenience of the reader.

Canon Inc.
Headquarter office

30-2, Shimomaruko 3-chome, Ohta-ku,
Tokyo 146-8501, Japan

Phone: +81-3-3758-2111

Table of Contents

Operating Results and Financial Conditions

2003 Third Quarter in Review

Looking back at the global economy in the third quarter of 2003, the U.S. economy, while showing no improvement in the job market, achieved an economic upturn attributable to healthy consumer spending as a result of tax cuts, and growth in capital investment in the private sector, particularly in the area of information technology. The economies of Europe remained stagnant due to a decrease in exports and restrained production resulting from the appreciation of the euro, while Asian economies, including China and Thailand, showed economic growth. The Japanese economy, while experiencing a gradual improvement in exports for the term, remained flat overall and showed no signs of recovery in consumer spending or employment and income conditions.

As for the markets in which the Canon Group operates, the digital camera market continued to show robust growth while network digital multifunction devices (MFDs) and computer peripherals, such as printers, struggled amid severe price competition. In the field of optical equipment, although signs of a full-fledged recovery remain to be seen in demand for semiconductor-production equipment, the market for projection aligners used in the production of liquid crystal displays (LCDs) expanded, fueled by increased demand for LCD televisions. The average value of the yen for the half was ¥117.54 to the U.S. dollar and ¥132.07 to the euro, representing a year-on-year increase of 2% against the dollar, and a decrease of 11% against the euro.

Amid these conditions, Canon's consolidated net sales for the third quarter increased by 10.6% from the year-ago period to ¥767.6 billion (U.S.\$6,915 million), boosted again by a significant rise in sales of digital cameras and color network digital MFDs. On a quarterly basis, net income recorded an all-time high of ¥73.0 billion (U.S.\$658 million), a year-on-year increase of 27.0%. Canon's gross profit for the quarter increased by 17.0% compared to the corresponding period last year, which was made possible through R&D reforms, which have supported the timely launch of competitive new products, and cost savings realized through sustained production reforms. Selling, general and administrative expenses for the third quarter rose 9.9% year on year which is within the increase in sales owing to increases in advertising and sales-promotion spending. Consequently, operating profit in the third quarter totaled ¥125.6 billion (U.S.\$1,131 million), a substantial increase of 35.4%. Other income (deductions) declined by ¥13.9 billion (U.S.\$125 million) as a result of increased currency exchange losses on foreign-currency-denominated trade receivables arising from the sudden appreciation of the yen against the dollar in the latter half of September. As a result, income before income taxes in the third quarter totaled ¥117.3 billion (U.S.\$1,057 million), a year-on-year increase of 19.3%. The effective tax rate during the quarter decreased by 4.2% compared with the previous year as a result of an increased tax credit for R&D expenditures arising from an amendment to Japanese tax regulations. Consequently, net income in the third quarter of 2003 totaled ¥73.0 billion (U.S.\$658 million), a year-on-year increase of 27.0%.

Basic earnings per share for the quarter amounted to ¥83.03 (U.S.\$0.75), a year-on-year increase of ¥17.49 (U.S.\$0.16).

Results by Product Segment

In the business machine segment, Canon's powerful imageRUNNER (iR)-series lineup of digital networked black-and-white multifunction copying machines realized healthy sales growth worldwide. In particular, the low-end iR 1600 series continued to record strong sales during the term. Among color network digital MFDs, the iR C3200/iR C3200N, released domestically at the end of last year, has been well received in both Japan and abroad, which also substantially contributed to increased sales of office imaging products. Overall, sales of office imaging products for the quarter realized a year-on-year increase of 7.3%. In the field of computer peripherals, unit sales of laser beam printers showed robust growth, particularly among low-end models. Inkjet printers also recorded a strong unit-sales performance, with sales of the i550 and i850 models remaining brisk, and products such as the MultiPASS MP700/MP730 high-speed multifunction inkjet systems and the i70 portable color printer achieving substantial sales growth. As a result, sales of computer peripherals in the third quarter increased by 4.1% despite the effects of severe price competition. Sales of business information products, including computers, micrographics and calculators, decreased by 12.5% due to declining personal computer sales in the domestic market. As a result of the above, third quarter sales of business machines overall totaled ¥544.1 billion (U.S.\$4,901 million), a 4.4% increase year on year. In addition to cost-cutting measures and the introduction of new price-competitive products, which contributed to a 2.8% improvement in the operating profit margin, a steady increase in sales volume boosted third-quarter operating profit by 19.3% year on year to ¥123.4 billion (U.S.\$1,112 million).

Within the camera segment, amid the continued strong demand for digital models worldwide, the PowerShot-series, including the PowerShot-A70, and the Digital ELPH-series, including the S400 Digital

Table of Contents

ELPH, have contributed to a significant increase in sales. Canon's digital SLR models have also achieved strong sales growth, particularly the EOS 10D, which was introduced in the first half of this year. The company's new EOS DIGITAL REBEL, just released in September, has also been well received. Sales of conventional film cameras, however, continued to slip during the quarter amid the increasing popularity of digital models and price competition. In the field of digital video camcorders, the Optura 300 and Optura Xi mega-pixel models, and the ZR70MC and ZR65MC entry-level models achieved healthy sales for the period. As a result, camera sales overall reached ¥155.8 billion (U.S.\$1,403 million) for the third quarter, representing an increase of 34.4% year on year for continued double-digit growth performance. Operating profit for the camera segment appreciably advanced 91.9% to ¥38.7 billion (U.S.\$349 million), attributable to the rapid growth in sales of digital cameras, along with a substantial 7.4% improvement in the operating profit margin due to the effects of cost-saving initiatives.

The optical and other products segment registered a sales increase of 18.9% to ¥67.8 billion (U.S.\$611 million), due to a substantial increase in sales of aligners for the production of LCDs, reflecting the shift from CRT computer displays to LCD monitors, as well as an expansion of the LCD television market. Though registering increased sales, a reduced gross profit ratio due to severe competition in the market resulted in the optical and other products segment suffering an operating loss of ¥3.6 billion (U.S.\$32 million) for the quarter, compared with a ¥2.9 billion operating loss for the corresponding period of the previous year.

Cash Flows

Between January 1 and September 30, 2003, Canon maintained cash flows from operating activities of ¥326.4 billion (U.S.\$2,941 million), a year-on-year increase of ¥12.1 billion (U.S.\$109 million) for the period, reflecting substantial net income growth, as well as an increase in depreciation. Capital expenditure totaled ¥150.1 billion (U.S.\$1,352 million), which was used mainly to expand production capabilities in Japan and overseas. Cash flows from investing activities totaled ¥159.9 billion (U.S.\$1,441 million), including a ¥12.7 billion (U.S.\$114 million) outlay for the acquisition of Sumitomo Metal System Solutions Co. Ltd., now Canon System Solutions Inc. As a result, free cash flow, or cash flow from operating activities minus cash flow from investing activities, totaled positive ¥166.5 billion (U.S.\$1,500 million).

Cash flows from financing activities recorded an outlay of ¥94.2 billion (U.S.\$848 million), mainly resulting from active efforts to repay short-term and long-term loans toward the goal of improving the company's financial position. Consequently, cash and cash equivalents, which totaled ¥585.2 billion (U.S.\$5,272 million), remained at a high level, representing a ¥64.0 billion (U.S.\$576 million) increase from the end of last year.

Outlook

Regarding the outlook for the global economy in the fourth quarter, the U.S. economy is likely to show a moderate recovery while personal consumption is expected to lose momentum due to the diminishing effects of tax cuts. The Japanese economy is expected to remain sluggish owing to flat consumer spending and a slowdown in export expansion, reflecting the rapid appreciation of the yen since the latter half of September. While the appreciation of the euro seems to have settled, the economies of Europe will probably show stagnant growth as exports and production are not expected to improve significantly. In China and Southeast Asia, exports are expected to make a recovery and the economy will likely show steady growth.

In the businesses in which Canon is involved, the digital camera market is expected to continue enjoying rapid growth while stable demand is projected for full-color network digital MFDs and laser beam printers. Within the semiconductor-production equipment market, capital investment by memory device manufacturers is expected to show an upward trend sometime after next year while orders for aligners by LCD manufacturers are expected to enjoy continued growth.

Although uncertainty surrounds several factors that could affect currency exchange rates, significant changes in rates are not anticipated. The yen is expected to be stronger against the U.S. dollar by about 8%, and weaker against the euro by about 9% compared with the previous year.

Upon considering the current market and currency exchange environments, the company has revised upward its net sales forecasts for fiscal 2003, now anticipating consolidated net sales of ¥3,183.0 billion (U.S.\$28,676 million), while maintaining previous forecasts for consolidated income before income taxes and consolidated net income. The company also projects non-consolidated net sales of ¥2,017 billion (U.S.\$18,171 million), non-consolidated ordinary profit of ¥325.0 billion (U.S.\$2,928 million), and non-consolidated net income of ¥232.0 billion (U.S.\$2,090 million). These forecasts assume currency exchange rates of ¥110.00 to the U.S. dollar and ¥127.00 to the euro for the remainder of 2003.

Table of Contents**Consolidated Outlook
Fiscal year**

Millions of yen

| | Year ending December 31, 2003 | | Change (B - A) | Year ended December 31, 2002 | |
|----------------------------|----------------------------------|------------------------|-------------------|---------------------------------|-----------------------|
| | Previous Outlook (A) | Revised Outlook (B) | | Results (C) | Change (%) (B / C) |
| | Net sales | ¥ 3,180,000 | | ¥ 3,183,000 | ¥ 3,000 |
| Income before income taxes | 440,000 | 440,000 | 0 | 330,017 | + 33.3% |
| Net income | 263,000 | 263,000 | 0 | 190,737 | + 37.9% |

**Non-Consolidated Outlook
Fiscal year**

Millions of yen

| | Year ending December 31, 2003 | | Change (B - A) | Year ended December 31, 2002 | |
|-----------------|----------------------------------|------------------------|-------------------|---------------------------------|-----------------------|
| | Previous Outlook (A) | Revised Outlook (B) | | Results (C) | Change (%) (B / C) |
| | Net sales | ¥ 1,977,000 | | ¥ 2,017,000 | ¥ 40,000 |
| Ordinary profit | 325,000 | 325,000 | 0 | 240,982 | + 34.9% |
| Net income | 227,000 | 232,000 | 5,000 | 144,184 | + 60.9% |

These reports contain forward-looking statements which reflect management's current views with respect 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.)

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

1. CONSOLIDATED STATEMENTS OF INCOME

Results for the third quarter

| | Millions of yen | | | Thousands of U.S. dollars |
|--|---|--|-----------|--|
| | Three months ended September 30, 2003 | Three months ended September 30, 2002 | Change(%) | Three months ended September 30, 2003 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Net sales | ¥767,599 | ¥ 693,982 | +10.6 | \$ 6,915,306 |
| Cost of sales | 378,784 | 361,640 | | 3,412,468 |
| Gross profit | 388,815 | 332,342 | +17.0 | 3,502,838 |
| Selling, general and administrative expenses | 263,253 | 239,612 | | 2,371,649 |
| Operating profit | 125,562 | 92,730 | +35.4 | 1,131,189 |
| Other income (deductions): | | | | |
| Interest and dividend income | 2,077 | 2,321 | | 18,712 |
| Interest expense | (1,005) | (1,532) | | (9,054) |
| Other, net | (9,298) | 4,857 | | (83,766) |
| | (8,226) | 5,646 | | (74,108) |
| Income before income taxes | 117,336 | 98,376 | +19.3 | 1,057,081 |
| Income taxes | 41,980 | 39,388 | | 378,198 |
| Income before minority interests | 75,356 | 58,988 | | 678,883 |
| Minority interests | 2,351 | 1,524 | | 21,180 |
| Net income | ¥ 73,005 | ¥ 57,464 | +27.0 | \$ 657,703 |

Note: Canon's comprehensive income consists of net income, change in foreign currency translation adjustments, change in net unrealized gains (losses) on securities, change in minimum pension liability adjustments and change in net gains (losses) on derivative financial instruments. Comprehensive income for three months ended September 30, 2003 and 2002 were JPY 61,456 million (U.S.\$553,658 thousand) and JPY 63,548 million, respectively.

Results for the nine months

| | Millions of yen | | | Thousands of U.S. dollars |
|--|---|---|-----------|---|
| | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 | Change(%) | Nine months ended September 30, 2003 |

Edgar Filing: CANON INC - Form 6-K

| | (Unaudited) | (Unaudited) | | (Unaudited) |
|--|-------------|-------------|-------|---------------|
| Net sales | ¥2,303,187 | ¥ 2,078,465 | +10.8 | \$ 20,749,432 |
| Cost of sales | 1,138,498 | 1,095,861 | | 10,256,738 |
| Gross profit | 1,164,689 | 982,604 | +18.5 | 10,492,694 |
| Selling, general and administrative expenses | 823,153 | 749,846 | | 7,415,793 |
| Operating profit | 341,536 | 232,758 | +46.7 | 3,076,901 |
| Other income (deductions): | | | | |
| Interest and dividend income | 6,707 | 7,055 | | 60,423 |
| Interest expense | (3,655) | (5,014) | | (32,928) |
| Other, net | (11,746) | (9,228) | | (105,819) |
| | (8,694) | (7,187) | | (78,324) |
| Income before income taxes | 332,842 | 225,571 | +47.6 | 2,998,577 |
| Income taxes | 124,781 | 90,927 | | 1,124,154 |
| Income before minority interests | 208,061 | 134,644 | | 1,874,423 |
| Minority interests | 7,289 | 3,975 | | 65,666 |
| Net income | ¥ 200,772 | ¥ 130,669 | +53.6 | \$ 1,808,757 |

Note: Canon's comprehensive income consists of net income, change in foreign currency translation adjustments, change in net unrealized gains (losses) on securities, change in minimum pension liability adjustments and change in net gains (losses) on derivative financial instruments. Comprehensive income for nine months ended September 30, 2003 and 2002 were JPY 229,046 million (U.S.\$2,063,477 thousand) and JPY 116,918 million, respectively.

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

2. DETAILS OF SALES

Results for the third quarter

| | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------------|--|--|---------------|--|
| | Three months ended September 30, 2003 (Unaudited) | Three months ended September 30, 2002 (Unaudited) | Change(%) | Three months ended September 30, 2003 (Unaudited) |
| Sales by product | | | | |
| Business machines: | | | | |
| <i>Office imaging products</i> | ¥252,001 | ¥ 234,932 | + 7.3 | \$ 2,270,279 |
| <i>Computer peripherals</i> | 261,830 | 251,605 | + 4.1 | 2,358,829 |
| <i>Business information products</i> | 30,219 | 34,546 | - 12.5 | 272,243 |
| | <u>544,050</u> | <u>521,083</u> | <u>+ 4.4</u> | <u>4,901,351</u> |
| Cameras | 155,755 | 115,882 | + 34.4 | 1,403,198 |
| Optical and other products | 67,794 | 57,017 | + 18.9 | 610,757 |
| | <u>578,071</u> | <u>521,083</u> | <u>+ 10.6</u> | <u>4,915,306</u> |
| Total | ¥767,599 | ¥ 693,982 | + 10.6 | \$ 6,915,306 |

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|--|--|---------------|--|
| | Three months ended September 30, 2003 (Unaudited) | Three months ended September 30, 2002 (Unaudited) | Change(%) | Three months ended September 30, 2003 (Unaudited) |
| Sales by region | | | | |
| Japan | ¥189,528 | ¥ 169,171 | + 12.0 | \$ 1,707,459 |
| Overseas: | | | | |
| <i>Americas</i> | 251,499 | 245,322 | + 2.5 | 2,265,757 |
| <i>Europe</i> | 226,200 | 192,262 | + 17.7 | 2,037,838 |
| <i>Other areas</i> | 100,372 | 87,227 | + 15.1 | 904,252 |
| | <u>578,071</u> | <u>521,083</u> | <u>+ 10.1</u> | <u>5,207,847</u> |
| Total | ¥767,599 | ¥ 693,982 | + 10.6 | \$ 6,915,306 |

Results for the nine months

Thousands of

Edgar Filing: CANON INC - Form 6-K

| | Millions of yen | | | U.S. dollars |
|-------------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|
| | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 | Change(%) | Nine months ended September 30, 2003 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Sales by product | | | | |
| Business machines: | | | | |
| Office imaging products | ¥ 784,624 | ¥ 751,884 | + 4.4 | \$ 7,068,685 |
| Computer peripherals | 793,092 | 727,893 | + 9.0 | 7,144,973 |
| Business information products | 94,292 | 112,989 | - 16.5 | 849,477 |
| | <u>1,672,008</u> | <u>1,592,766</u> | + 5.0 | <u>15,063,135</u> |
| Cameras | 439,556 | 327,274 | + 34.3 | 3,959,964 |
| Optical and other products | 191,623 | 158,425 | + 21.0 | 1,726,333 |
| | <u>1,729,740</u> | <u>1,548,156</u> | + 11.7 | <u>15,583,243</u> |
| Total | <u>¥2,303,187</u> | <u>¥ 2,078,465</u> | + 10.8 | <u>\$ 20,749,432</u> |

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|--------------------------------------|--------------------------------------|-----------|--------------------------------------|
| | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 | Change(%) | Nine months ended September 30, 2003 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Sales by region | | | | |
| Japan | ¥ 573,447 | ¥ 530,309 | + 8.1 | \$ 5,166,189 |
| Overseas: | | | | |
| Americas | 762,587 | 708,094 | + 7.7 | 6,870,153 |
| Europe | 690,719 | 598,879 | + 15.3 | 6,222,694 |
| Other areas | 276,434 | 241,183 | + 14.6 | 2,490,396 |
| | <u>1,729,740</u> | <u>1,548,156</u> | + 11.7 | <u>15,583,243</u> |
| Total | <u>¥2,303,187</u> | <u>¥ 2,078,465</u> | + 10.8 | <u>\$ 20,749,432</u> |

Notes: Effective 1st quarter of fiscal 2003, Canon has revised the product categories contained within the Business machines segment. The new categories are: Office imaging products, Computer peripherals, and Business information products. Accordingly, previous year's sales for each category have been restated in accordance with the changes.

- The primary products included in each of the product segments are as follows:
Business machines:
Office imaging products : Office network digital multifunction devices (MFDs) /

Edgar Filing: CANON INC - Form 6-K

Color network digital
MFDs /

Office

copying machines /
Personal-use copying
machines / Full-color
copying machines /
etc.

Computer
peripherals : Laser
beam printers / Inkjet
printers / Inkjet
multifunction
peripherals / Image
scanners / etc.

Business
information products
: Computer
information systems /
Micrographic
equipment / Personal
information products
/ etc.

Cameras : SLR cameras / Compact
cameras / Digital cameras / Digital video
camcorders / etc. Optical and other
products : Semiconductor production
equipment / Mirror projection mask
aligners for LCD panels /

Broadcasting

equipment / Medical equipment /
Components / etc. 2. The 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

- 6 -

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

3. SEGMENT INFORMATION BY PRODUCT

Results for the third quarter

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------|--|--|-----------|--|
| | Three months ended September 30, 2003 (Unaudited) | Three months ended September 30, 2002 (Unaudited) | Change(%) | Three months ended September 30, 2003 (Unaudited) |
| Business machines | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥544,050 | ¥ 521,083 | +4.4 | \$ 4,901,351 |
| Intersegment | | | | |
| Total | 544,050 | 521,083 | +4.4 | 4,901,351 |
| Operating cost and expenses | 420,650 | 417,630 | +0.7 | 3,789,639 |
| Operating profit | 123,400 | 103,453 | +19.3 | 1,111,712 |
| Cameras | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥155,755 | ¥ 115,882 | +34.4 | \$ 1,403,198 |
| Intersegment | | | | |
| Total | 155,755 | 115,882 | +34.4 | 1,403,198 |
| Operating cost and expenses | 117,060 | 95,714 | +22.3 | 1,054,594 |
| Operating profit | 38,695 | 20,168 | +91.9 | 348,604 |
| Optical and other products | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 67,794 | ¥ 57,017 | +18.9 | \$ 610,757 |
| Intersegment | 36,952 | 39,101 | -5.5 | 332,901 |
| Total | 104,746 | 96,118 | +9.0 | 943,658 |
| Operating cost and expenses | 108,337 | 99,042 | +9.4 | 976,009 |
| Operating profit | (3,591) | (2,924) | | (32,351) |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ | ¥ | | \$ |
| Intersegment | (36,952) | (39,101) | | (332,901) |

Edgar Filing: CANON INC - Form 6-K

| | | | | |
|-----------------------------|-----------------|------------------|--------------|---------------------|
| Total | <u>(36,952)</u> | <u>(39,101)</u> | <u>_____</u> | <u>(332,901)</u> |
| Operating cost and expenses | <u>(4,010)</u> | <u>(11,134)</u> | <u>_____</u> | <u>(36,125)</u> |
| Operating profit | <u>(32,942)</u> | <u>(27,967)</u> | <u>_____</u> | <u>(296,776)</u> |
| Consolidated | | | | |
| Net sales: | | | | |
| Unaffiliated customers | <u>¥767,599</u> | <u>¥ 693,982</u> | <u>+10.6</u> | <u>\$ 6,915,306</u> |
| Intersegment | <u>_____</u> | <u>_____</u> | <u>_____</u> | <u>_____</u> |
| Total | <u>767,599</u> | <u>693,982</u> | <u>+10.6</u> | <u>6,915,306</u> |
| Operating cost and expenses | <u>642,037</u> | <u>601,252</u> | <u>+6.8</u> | <u>5,784,117</u> |
| Operating profit | <u>125,562</u> | <u>92,730</u> | <u>+35.4</u> | <u>1,131,189</u> |

Note: General corporate expenses of JPY 32,961 million (U.S.\$296,946 thousand) and JPY 27,919 million in the three months ended September 30, 2003 and 2002, respectively, are included in Corporate and Eliminations.

- 7 -

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

Results for the nine months

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------|---|---|-----------|---|
| | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 | Change(%) | Nine months ended September 30, 2003 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Business machines | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥1,672,008 | ¥ 1,592,766 | +5.0 | \$ 15,063,135 |
| Intersegment | | | | |
| Total | 1,672,008 | 1,592,766 | +5.0 | 15,063,135 |
| Operating cost and expenses | 1,311,187 | 1,311,462 | -0.0 | 11,812,495 |
| Operating profit | 360,821 | 281,304 | +28.3 | 3,250,640 |
| Cameras | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 439,556 | ¥ 327,274 | +34.3 | \$ 3,959,964 |
| Intersegment | | | | |
| Total | 439,556 | 327,274 | +34.3 | 3,959,964 |
| Operating cost and expenses | 351,067 | 279,051 | +25.8 | 3,162,766 |
| Operating profit | 88,489 | 48,223 | +83.5 | 797,198 |
| Optical and other products | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 191,623 | ¥ 158,425 | +21.0 | \$ 1,726,333 |
| Intersegment | 110,989 | 102,360 | +8.4 | 999,901 |
| Total | 302,612 | 260,785 | +16.0 | 2,726,234 |
| Operating cost and expenses | 307,356 | 272,200 | +12.9 | 2,768,973 |
| Operating profit | (4,744) | (11,415) | | (42,739) |
| Corporate and Eliminations | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ | ¥ | | \$ |
| Intersegment | (110,989) | (102,360) | | (999,901) |
| Total | (110,989) | (102,360) | | (999,901) |

Edgar Filing: CANON INC - Form 6-K

| | | | | |
|-----------------------------|-------------------|--------------------|--------------|----------------------|
| Operating cost and expenses | <u>(7,959)</u> | <u>(17,006)</u> | | <u>(71,703)</u> |
| Operating profit | <u>(103,030)</u> | <u>(85,354)</u> | | <u>(928,198)</u> |
| Consolidated | | | | |
| Net sales: | | | | |
| Unaffiliated customers | <u>¥2,303,187</u> | <u>¥ 2,078,465</u> | <u>+10.8</u> | <u>\$ 20,749,432</u> |
| Intersegment | | | | |
| Total | <u>2,303,187</u> | <u>2,078,465</u> | <u>+10.8</u> | <u>20,749,432</u> |
| Operating cost and expenses | <u>1,961,651</u> | <u>1,845,707</u> | <u>+6.3</u> | <u>17,672,531</u> |
| Operating profit | <u>341,536</u> | <u>232,758</u> | <u>+46.7</u> | <u>3,076,901</u> |

Note: General corporate expenses of JPY103,069 million (U.S.\$928,550 thousand) and JPY85,285 million in the nine months ended September 30, 2003 and 2002, respectively, are included in Corporate and Eliminations.

- 8 -

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED BALANCE SHEETS

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------------------------|-------------------------------|------------|--------------------------------|
| | As of September 30, 2003 | As of December 31, 2002 | Change | As of September 30, 2003 |
| | (Unaudited) | (Audited) | | (Unaudited) |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 585,222 | ¥ 521,271 | ¥ 63,951 | \$ 5,272,270 |
| Marketable securities | 1,292 | 7,255 | (5,963) | 11,640 |
| Trade receivables | 483,079 | 498,587 | (15,508) | 4,352,063 |
| Inventories | 493,940 | 432,251 | 61,689 | 4,449,910 |
| Prepaid expenses and other current assets | 282,610 | 245,610 | 37,000 | 2,546,036 |
| Total current assets | 1,846,143 | 1,704,974 | 141,169 | 16,631,919 |
| Noncurrent receivables | 16,807 | 20,568 | (3,761) | 151,414 |
| Investments | 74,711 | 64,037 | 10,674 | 673,072 |
| Net property, plant and equipment | 842,403 | 830,304 | 12,099 | 7,589,216 |
| Other assets | 329,078 | 322,823 | 6,255 | 2,964,667 |
| Total assets | ¥3,109,142 | ¥ 2,942,706 | ¥ 166,436 | \$28,010,288 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans | ¥ 45,730 | ¥ 66,754 | ¥ (21,024) | \$ 411,982 |
| Trade payables | 423,570 | 408,464 | 15,106 | 3,815,946 |
| Income taxes | 68,731 | 80,169 | (11,438) | 619,198 |
| Accrued expenses | 180,452 | 154,621 | 25,831 | 1,625,694 |
| Other current liabilities | 84,921 | 91,832 | (6,911) | 765,054 |
| Total current liabilities | 803,404 | 801,840 | 1,564 | 7,237,874 |
| Long-term debt, excluding current installments | 70,233 | 81,349 | (11,116) | 632,730 |
| Accrued pension and severance cost | 250,268 | 285,129 | (34,861) | 2,254,667 |
| Other noncurrent liabilities | 29,783 | 26,193 | 3,590 | 268,315 |
| Total liabilities | 1,153,688 | 1,194,511 | (40,823) | 10,393,586 |
| Minority interests | 159,992 | 156,245 | 3,747 | 1,441,369 |
| Stockholders' equity: | | | | |
| Common stock | 168,840 | 167,242 | 1,598 | 1,521,081 |
| Additional paid-in capital | 396,567 | 394,088 | 2,479 | 3,572,676 |
| Retained earnings | 1,375,482 | 1,203,248 | 172,234 | 12,391,730 |
| Accumulated other comprehensive income (loss) | (138,193) | (166,467) | 28,274 | (1,244,982) |
| Treasury stock | (7,234) | (6,161) | (1,073) | (65,172) |
| Total stockholders' equity | 1,795,462 | 1,591,950 | 203,512 | 16,175,333 |
| Total liabilities and stockholders' equity | ¥3,109,142 | ¥ 2,942,706 | ¥ 166,436 | \$28,010,288 |

Edgar Filing: CANON INC - Form 6-K

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------------------|-------------------------------|--------------------------------|
| | As of September 30, 2003 | As of December 31, 2002 | As of September 30, 2003 |
| | (Unaudited) | (Audited) | (Unaudited) |
| Allowance for doubtful receivables | ¥ 14,216 | ¥ 12,031 | \$ 128,072 |
| Accumulated depreciation | 1,112,748 | 1,077,694 | 10,024,757 |
| Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (80,493) | (68,524) | (725,162) |
| Net unrealized gains and losses on securities | 4,880 | (1,168) | 43,964 |
| Minimum pension liability adjustments | (65,322) | (96,441) | (588,486) |
| Net gains and losses on derivative financial instruments | 2,742 | (334) | 24,703 |

- 9 -

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

Results for the nine months

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|--|--|
| | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 | Nine months ended September 30, 2003 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Net income | ¥ 200,772 | ¥ 130,669 | \$ 1,808,757 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 131,068 | 116,283 | 1,180,793 |
| Loss on disposal of property, plant and equipment | 8,796 | 14,121 | 79,243 |
| Deferred income taxes | (5,510) | 6,370 | (49,640) |
| Decrease in trade receivables | 17,875 | 19,153 | 161,036 |
| Increase in inventories | (64,613) | (30,698) | (582,099) |
| Increase in trade payables | 20,897 | 60,999 | 188,261 |
| Decrease in income taxes | (10,927) | (16,552) | (98,441) |
| Increase in accrued expenses | 27,422 | 20,045 | 247,045 |
| Other, net | 662 | (6,017) | 5,964 |
| Net cash provided by operating activities | 326,442 | 314,373 | 2,940,919 |
| Cash flows from investing activities: | | | |
| Capital expenditure | (150,119) | (144,201) | (1,352,423) |
| Proceeds from sale of property, plant and equipment | 6,175 | 7,850 | 55,631 |
| Payment for purchase of available-for-sale securities | (714) | (3,574) | (6,432) |
| Proceeds from sale of available-for-sale securities | 6,959 | 663 | 62,694 |
| Payment for purchase of other investments | (24,310) | (22,596) | (219,009) |
| Other | 2,092 | (7,816) | 18,845 |
| Net cash used in investing activities | (159,917) | (169,674) | (1,440,694) |
| Cash flows from financing activities: | | | |
| Proceeds from long-term debt | 3,344 | 3,132 | 30,126 |
| Repayment of long-term debt | (30,182) | (34,991) | (271,910) |
| Decrease in short-term loans | (35,906) | (98,484) | (323,477) |
| Dividends paid | (28,538) | (23,663) | (257,099) |
| Other | (2,893) | (8,335) | (26,063) |
| Net cash used in financing activities | (94,175) | (162,341) | (848,423) |
| Effect of exchange rate changes on cash and cash equivalents | (8,399) | (4,619) | (75,667) |
| Net change in cash and cash equivalents | 63,951 | (22,261) | 576,135 |
| Cash and cash equivalents at beginning of year | 521,271 | 506,234 | 4,696,135 |
| Cash and cash equivalents at end of period | ¥ 585,222 | ¥ 483,973 | \$ 5,272,270 |

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) NUMBER OF GROUP COMPANIES

| | <u>September 30, 2003</u> | <u>December 31, 2002</u> | <u>Change</u> |
|--------------|-------------------------------|------------------------------|---------------|
| Subsidiaries | 200 | 195 | 5 |
| Affiliates | 18 | 19 | (1) |
| Total | <u>218</u> | <u>214</u> | <u>4</u> |

CHANGES IN GROUP OF ENTITIES

Subsidiaries

Addition: 13 Companies

Removal: 8 Companies

Affiliates (Carried at Equity Basis)

Addition: 1 Company

Removal: 2 Companies

(2) SIGNIFICANT ACCOUNTING POLICIES

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

We have engaged KPMG to complete a review of the consolidated financial statements as of and for nine months ended September 30, 2003, in accordance with Statement of Auditing Standards No.100, Interim Financial Information, established by the American Institute of Certified Public Accountants.

Table of Contents

CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2003

SUPPLEMENTARY REPORT

TABLE OF CONTENTS

| | | PAGE |
|-----|---|-------------|
| | | |
| 1. | SALES BY REGION AND PRODUCT | S1 |
| 2. | SEGMENT INFORMATION BY PRODUCT | S2 |
| 3. | OTHER INCOME / DEDUCTIONS | S2 |
| 4. | SALES COMPOSITION BY PRODUCT | S3 |
| 5. | SALES GROWTH IN LOCAL CURRENCY | S3 |
| 6. | P&L SUMMARY (4th Quarter 2003/Projection) | S4 |
| 7. | PROFITABILITY | S4 |
| 8. | IMPACT OF FOREIGN EXCHANGE RATES | S4 |
| 9. | CASH FLOWS | S4 |
| 10. | R&D EXPENDITURE | S5 |
| 11. | CAPITAL EXPENDITURE & DEPRECIATION AND AMORTIZATION | S5 |
| 12. | INVENTORIES | S5 |
| 13. | DEBT RATIO | S5 |
| 14. | OVERSEAS PRODUCTION RATIO | S5 |
| 15. | NUMBER OF EMPLOYEES | S5 |

This report contains forward-looking statements which reflect management's current views with respect 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.)

Table of Contents

Canon Inc.

1. SALES BY REGION AND PRODUCT

| | 2003 | | | 2002 | | | (Millions of yen) Change year over year | | |
|-------------------------------|-------------|-------------|-----------|-------------|-------------|-----------|--|-------------|--------|
| | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |
| | (P) | (P) | (P) | | | | | | |
| Japan | | | | | | | | | |
| Business machines | 127,002 | 170,386 | 581,300 | 123,246 | 153,789 | 550,229 | +3.0% | +10.8% | +5.6% |
| Office imaging products | 68,318 | 85,872 | 305,200 | 62,032 | 67,221 | 262,052 | +10.1% | +27.7% | +16.5% |
| Computer peripherals | 35,426 | 62,003 | 178,600 | 33,220 | 59,732 | 169,613 | +6.6% | +3.8% | +5.3% |
| Business information products | 23,258 | 22,511 | 97,500 | 27,994 | 26,836 | 118,564 | -16.9% | -16.1% | -17.8% |
| Cameras | 28,376 | 38,242 | 113,400 | 22,619 | 26,693 | 92,581 | +25.5% | +43.3% | +22.5% |
| Optical and other products | 34,150 | 33,725 | 121,100 | 23,306 | 21,760 | 89,741 | +46.5% | +55.0% | +34.9% |
| Total | 189,528 | 242,353 | 815,800 | 169,171 | 202,242 | 732,551 | +12.0% | +19.8% | +11.4% |
| Overseas | | | | | | | | | |
| Business machines | 417,048 | 426,306 | 1,687,400 | 397,837 | 479,640 | 1,675,966 | +4.8% | -11.1% | +0.7% |
| Office imaging products | 183,683 | 197,104 | 762,400 | 172,900 | 204,026 | 761,079 | +6.2% | -3.4% | +0.2% |
| Computer peripherals | 226,404 | 220,405 | 896,900 | 218,385 | 268,331 | 886,343 | +3.7% | -17.9% | +1.2% |
| Business information products | 6,961 | 8,797 | 28,100 | 6,552 | 7,283 | 28,544 | +6.2% | +20.8% | -1.6% |
| Cameras | 127,379 | 171,502 | 535,900 | 93,263 | 131,811 | 393,197 | +36.6% | +30.1% | +36.3% |
| Optical and other products | 33,644 | 39,652 | 143,900 | 33,711 | 47,970 | 138,414 | -0.2% | -17.3% | +4.0% |
| Total | 578,071 | 637,460 | 2,367,200 | 524,811 | 659,421 | 2,207,577 | +10.1% | -3.3% | +7.2% |
| Americas | | | | | | | | | |
| Business machines | 189,818 | 173,390 | 753,900 | 194,850 | 230,038 | 797,498 | -2.6% | -24.6% | -5.5% |
| Office imaging products | 92,592 | 85,923 | 362,200 | 91,115 | 96,742 | 378,804 | +1.6% | -11.2% | -4.4% |
| Computer peripherals | 93,774 | 83,363 | 377,300 | 100,142 | 129,469 | 403,591 | -6.4% | -35.6% | -6.5% |
| Business information products | 3,452 | 4,104 | 14,400 | 3,593 | 3,827 | 15,103 | -3.9% | +7.2% | -4.7% |
| Cameras | 55,203 | 84,367 | 244,700 | 42,588 | 62,557 | 180,454 | +29.6% | +34.9% | +35.6% |
| Optical and other products | 6,478 | 6,756 | 28,500 | 7,884 | 9,477 | 32,214 | -17.8% | -28.7% | -11.5% |
| Total | 251,499 | 264,513 | 1,027,100 | 245,322 | 302,072 | 1,010,166 | +2.5% | -12.4% | +1.7% |
| Europe | | | | | | | | | |
| Business machines | 168,229 | 203,204 | 724,500 | 153,453 | 197,704 | 676,885 | +9.6% | +2.8% | +7.0% |

Edgar Filing: CANON INC - Form 6-K

| | | | | | | | | | |
|-------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|---------------|--------------|---------------|
| Office imaging products | 71,383 | 95,122 | 330,700 | 66,039 | 90,325 | 315,344 | +8.1% | +5.3% | +4.9% |
| Computer peripherals | 94,046 | 104,020 | 382,800 | 85,193 | 104,594 | 351,089 | +10.4% | -0.5% | +9.0% |
| Business information products | 2,800 | 4,062 | 11,000 | 2,221 | 2,785 | 10,452 | +26.1% | +45.9% | +5.2% |
| Cameras | 51,881 | 67,035 | 218,000 | 35,320 | 52,449 | 156,244 | +46.9% | +27.8% | +39.5% |
| Optical and other products | 6,090 | 7,542 | 26,000 | 3,489 | 8,135 | 24,038 | +74.5% | -7.3% | +8.2% |
| Total | 226,200 | 277,781 | 968,500 | 192,262 | 258,288 | 857,167 | +17.7% | +7.5% | +13.0% |
| Other areas | | | | | | | | | |
| Business machines | 59,001 | 49,712 | 209,000 | 49,534 | 51,898 | 201,583 | +19.1% | -4.2% | +3.7% |
| Office imaging products | 19,708 | 16,059 | 69,500 | 15,746 | 16,959 | 66,931 | +25.2% | -5.3% | +3.8% |
| Computer peripherals | 38,584 | 33,022 | 136,800 | 33,050 | 34,268 | 131,663 | +16.7% | -3.6% | +3.9% |
| Business information products | 709 | 631 | 2,700 | 738 | 671 | 2,989 | -3.9% | -6.0% | -9.7% |
| Cameras | 20,295 | 20,100 | 73,200 | 15,355 | 16,805 | 56,499 | +32.2% | +19.6% | +29.6% |
| Optical and other products | 21,076 | 25,354 | 89,400 | 22,338 | 30,358 | 82,162 | -5.6% | -16.5% | +8.8% |
| Total | 100,372 | 95,166 | 371,600 | 87,227 | 99,061 | 340,244 | +15.1% | -3.9% | +9.2% |
| Total | | | | | | | | | |
| Business machines | 544,050 | 596,692 | 2,268,700 | 521,083 | 633,429 | 2,226,195 | +4.4% | -5.8% | +1.9% |
| Office imaging products | 252,001 | 282,976 | 1,067,600 | 234,932 | 271,247 | 1,023,131 | +7.3% | +4.3% | +4.3% |
| Computer peripherals | 261,830 | 282,408 | 1,075,500 | 251,605 | 328,063 | 1,055,956 | +4.1% | -13.9% | +1.9% |
| Business information products | 30,219 | 31,308 | 125,600 | 34,546 | 34,119 | 147,108 | -12.5% | -8.2% | -14.6% |
| Cameras | 155,755 | 209,744 | 649,300 | 115,882 | 158,504 | 485,778 | +34.4% | +32.3% | +33.7% |
| Optical and other products | 67,794 | 73,377 | 265,000 | 57,017 | 69,730 | 228,155 | +18.9% | +5.2% | +16.1% |
| Total | 767,599 | 879,813 | 3,183,000 | 693,982 | 861,663 | 2,940,128 | +10.6% | +2.1% | +8.3% |

(P)=Projection

(Note)

From the 1st quarter of 2003, facsimiles which included personal digital MFDs etc. based on electrophotography technology were reclassified and are now included in Copying Machines, renamed Office Imaging Products. Those products based on inkjet technology were moved to Inkjet Printers in Computer Peripherals. In connection with this adjustment, Business Systems were renamed Business Information Products. Values for the previous year are restated to conform to the reclassification.

- S1 -

Table of Contents

Canon Inc.

2. SEGMENT INFORMATION BY PRODUCT

(Millions of yen)

| | 2003 | | | 2002 | | | Change year over year | | |
|-----------------------------------|-------------|-------------|-----------|-------------|-------------|-----------|-----------------------|-------------|--------|
| | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) | | | | | | |
| Business machines | | | | | | | | | |
| Unaffiliated customers | 544,050 | 596,692 | 2,268,700 | 521,083 | 633,429 | 2,226,195 | +4.4% | -5.8% | +1.9% |
| Intersegment | | | | | | | | | |
| Total sales | 544,050 | 596,692 | 2,268,700 | 521,083 | 633,429 | 2,226,195 | +4.4% | -5.8% | +1.9% |
| Operating profit | 123,400 | 116,079 | 476,900 | 103,453 | 129,712 | 411,016 | +19.3% | -10.5% | +16.0% |
| % of sales | 22.7% | 19.5% | 21.0% | 19.9% | 20.5% | 18.5% | | | |
| Cameras | | | | | | | | | |
| Unaffiliated customers | 155,755 | 209,744 | 649,300 | 115,882 | 158,504 | 485,778 | +34.4% | +32.3% | +33.7% |
| Intersegment | | | | | | | | | |
| Total sales | 155,755 | 209,744 | 649,300 | 115,882 | 158,504 | 485,778 | +34.4% | +32.3% | +33.7% |
| Operating profit | 38,695 | 40,711 | 129,200 | 20,168 | 22,067 | 70,290 | +91.9% | +84.5% | +83.8% |
| % of sales | 24.8% | 19.4% | 19.9% | 17.4% | 13.9% | 14.5% | | | |
| Optical and other products | | | | | | | | | |
| Unaffiliated customers | 67,794 | 73,377 | 265,000 | 57,017 | 69,730 | 228,155 | +18.9% | +5.2% | +16.1% |
| Intersegment | 36,952 | 37,011 | 148,000 | 39,101 | 37,248 | 139,608 | -5.5% | -0.6% | +6.0% |
| Total sales | 104,746 | 110,388 | 413,000 | 96,118 | 106,978 | 367,763 | +9.0% | +3.2% | +12.3% |
| Operating profit | -3,591 | -3,256 | -8,000 | -2,924 | -237 | -11,652 | | | |
| % of sales | -3.4% | -2.9% | -1.9% | -3.0% | -0.2% | -3.2% | | | |
| Corporate and Eliminations | | | | | | | | | |
| Unaffiliated customers | | | | | | | | | |
| Intersegment | -36,952 | -37,011 | -148,000 | -39,101 | -37,248 | -139,608 | | | |
| Total sales | -36,952 | -37,011 | -148,000 | -39,101 | -37,248 | -139,608 | | | |

Edgar Filing: CANON INC - Form 6-K

| | | | | | | | | | |
|------------------------|---------|---------|-----------|---------|---------|-----------|--------|-------|--------|
| Operating profit | -32,942 | -45,070 | -148,100 | -27,967 | -37,941 | -123,295 | | | |
| Consolidated | | | | | | | | | |
| Unaffiliated customers | 767,599 | 879,813 | 3,183,000 | 693,982 | 861,663 | 2,940,128 | +10.6% | +2.1% | +8.3% |
| Intersegment | | | | | | | | | |
| Total sales | 767,599 | 879,813 | 3,183,000 | 693,982 | 861,663 | 2,940,128 | +10.6% | +2.1% | +8.3% |
| Operating profit | 125,562 | 108,464 | 450,000 | 92,730 | 113,601 | 346,359 | +35.4% | -4.5% | +29.9% |
| % of sales | 16.4% | 12.3% | 14.1% | 13.4% | 13.2% | 11.8% | | | |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

(Millions of yen)

| | 2003 | | | 2002 | | | Change year over year | | |
|--|-------------|-------------|---------|-------------|-------------|---------|-----------------------|-------------|--------|
| | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) | | | | | | |
| Interest & dividend, net | 1,072 | 848 | 3,900 | 789 | 369 | 2,410 | +283 | +479 | +1,490 |
| Forex gain / loss | -14,545 | -2,289 | -19,600 | 3,044 | -8,339 | -23,468 | -17,589 | +6,050 | +3,868 |
| Equity earnings / loss of affiliated companies | 375 | 269 | -1,400 | -862 | -859 | -3,521 | +1,237 | +1,128 | +2,121 |
| Others, net | 4,872 | -134 | 7,100 | 2,675 | -326 | 8,237 | +2,197 | +192 | -1,137 |
| Total | -8,226 | -1,306 | -10,000 | 5,646 | -9,155 | -16,342 | -13,872 | +7,849 | +6,342 |

(P)=Projection

Table of Contents

Canon Inc.

4. SALES COMPOSITION BY PRODUCT

| | 2003 | | | 2002 | | |
|---|-------------|-------------|------|-------------|-------------|------|
| | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) | | | |
| Office imaging products | | | | | | |
| Copying machines | 92% | 92% | 92% | 92% | 92% | 92% |
| Monochrome | 77% | 81% | 79% | 82% | 80% | 82% |
| Color | 23% | 19% | 21% | 18% | 20% | 18% |
| Digital* | 94% | | | 89% | 89% | 89% |
| Analog* | 6% | | | 11% | 11% | 11% |
| Electrophotography based facsimiles, etc. | 8% | 8% | 8% | 8% | 8% | 8% |
| Computer peripherals | | | | | | |
| Laser beam printers | 72% | 65% | 70% | 72% | 65% | 68% |
| Inkjet printers (includes inkjet MFPs) | 26% | 32% | 27% | 25% | 31% | 29% |
| Others | 2% | 3% | 3% | 3% | 4% | 3% |
| Business information products | | | | | | |
| Personal computers | 77% | 74% | 77% | 80% | 77% | 79% |
| Others | 23% | 26% | 23% | 20% | 23% | 21% |
| Cameras | | | | | | |
| Film cameras / Lenses | 22% | 13% | 19% | 30% | 28% | 31% |
| Digital cameras | 60% | 67% | 62% | 44% | 49% | 45% |
| Video camcorders | 18% | 20% | 19% | 26% | 23% | 24% |
| Optical and other products | | | | | | |
| Semiconductor production equipment | 48% | 50% | 49% | 46% | 56% | 48% |
| Others | 52% | 50% | 51% | 54% | 44% | 52% |

(P)=Projection

* Among office-use monochrome copying machines (hardware only)

5. SALES GROWTH IN LOCAL CURRENCY

| | 2003 | | |
|-----------------------------------|-------------|-------------|--------|
| | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) |
| Business machines | | | |
| Japan | +3.0% | +10.8% | +5.6% |
| Overseas | +1.8% | -5.9% | +2.4% |
| Total | +2.1% | -1.9% | +3.2% |
| Cameras | | | |
| Japan | +25.5% | +43.3% | +22.5% |
| Overseas | +30.9% | +35.7% | +36.6% |
| Total | +29.8% | +37.0% | +33.9% |
| Optical and other products | | | |
| Japan | +46.5% | +55.0% | +34.9% |
| Overseas | -2.0% | -15.0% | +5.1% |

Edgar Filing: CANON INC - Form 6-K

| | | | |
|--------------|--------|--------|--------|
| Total | +17.8% | +6.8% | +16.8% |
| Total | | | |
| Japan | +12.0% | +19.8% | +11.4% |
| Overseas | +6.7% | +1.7% | +8.7% |
| Americas | +4.1% | -2.1% | +9.7% |
| Europe | +7.2% | +6.2% | +5.8% |
| Other areas | +13.1% | +1.8% | +12.8% |
| Total | +8.0% | +6.0% | +9.3% |

(P)=Projection

(Note)

From the 1st quarter of 2003, facsimiles which included personal digital MFDs etc. based on electrophotography technology were reclassified and are now included in Copying Machines, renamed Office Imaging Products. Those products based on inkjet technology were moved to Inkjet Printers in Computer Peripherals. In connection with this adjustment, Business Systems were renamed Business Information Products. Values for the previous year are restated to conform to the reclassification.

Table of Contents

Canon Inc.

6. P&L SUMMARY (4th Quarter 2003/Projection)

| | (Millions of yen) | | |
|----------------------------|-------------------|-------------|-----------------------------|
| | 2003 | 2002 | Change year over year |
| | 4th quarter(P) | 4th quarter | |
| Net sales | 879,813 | 861,663 | +2.1% |
| Operating profit | 108,464 | 113,601 | -4.5% |
| Income before income taxes | 107,158 | 104,446 | +2.6% |
| Net income | 62,228 | 60,068 | +3.6% |

(P)=Projection

7. PROFITABILITY

| | 2003 | | 2002 | |
|-----|-------------|---------|-------------|-------|
| | 3rd quarter | Year(P) | 3rd quarter | Year |
| ROE | 16.5% | 15.3% | 15.1% | 12.5% |
| ROA | 9.4% | 8.6% | 8.2% | 6.6% |

(P)=Projection

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

| | 2003 | | | 2002 | | |
|----------|-------------|----------------|---------|-------------|-------------|--------|
| | 3rd quarter | 4th quarter(P) | Year(P) | 3rd quarter | 4th quarter | Year |
| Yen/US\$ | 117.54 | 110.00 | 115.94 | 119.31 | 122.56 | 124.73 |
| Yen/EUR | 132.07 | 127.00 | 130.33 | 117.38 | 122.54 | 118.39 |

(P)=Projection

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

| | 2003 | | |
|------------------|-------------|----------------|---------|
| | 3rd quarter | 4th quarter(P) | Year(P) |
| US\$ | -2.4 | -35.7 | -94.3 |
| Euro | +20.1 | +7.8 | +71.5 |
| Other currencies | +2.6 | +0.2 | +3.6 |
| Total | +20.3 | -27.7 | -19.2 |

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | | (Billions of yen) |
|---------------------|--|-----------------------|
| | | 2003 |
| | | 4th quarter(P) |
| On sales | | |
| US\$ | | 2.8 |
| Euro | | 1.7 |
| On operating profit | | |
| US\$ | | 1.2 |
| Euro | | 1.2 |

(P)=Projection

9. CASH FLOWS

| | | | | | (Millions of yen) | | | |
|--|--|--|--|---------------|-------------------|----------------|----------------|----------|
| | | | | | 2003 | 2002 | | |
| | | | | | 3rd quarter | Year(P) | 3rd quarter | Year |
| Net cash provided by operating activities | | | | | | | | |
| Net income | | | | 73,005 | 263,000 | 57,464 | 190,737 | |
| Depreciation and amortization | | | | 45,974 | 177,000 | 44,338 | 165,260 | |
| Other, net | | | | -20,837 | 45,000 | 9,654 | 92,953 | |
| Total | | | | 98,142 | 485,000 | 111,456 | 448,950 | |
| Net cash used in investing activities | | | | | -48,589 | -225,000 | -39,008 | -230,220 |
| Free cash flow | | | | 49,553 | 260,000 | 72,448 | 218,730 | |
| Net cash provided by (used in) financing activities | | | | -47,487 | -101,400 | -42,408 | -183,714 | |
| Effect of exchange rate changes on cash & cash equivalents | | | | -7,974 | -11,171 | 8,727 | -19,979 | |
| Net change in cash and cash equivalents | | | | -5,908 | 147,429 | 38,767 | 15,037 | |
| Cash and cash equivalents at end of each period | | | | 585,222 | 668,700 | 483,973 | 521,271 | |

(P)=Projection

Table of Contents

Canon Inc.

10. R&D EXPENDITURE

(Millions of yen)

| | 2003 | | | 2002 | | |
|----------------------------|-------------|----------------|---------|-------------|-------------|---------|
| | 3rd quarter | 4th quarter(P) | Year(P) | 3rd quarter | 4th quarter | Year |
| Business machines | 25,049 | | | 25,059 | 29,797 | 110,290 |
| Cameras | 7,277 | | | 6,176 | 6,816 | 25,975 |
| Optical and other products | 24,773 | | | 22,273 | 32,973 | 97,404 |
| Total | 57,099 | 77,169 | 260,000 | 53,508 | 69,586 | 233,669 |
| % of sales | 7.4% | 8.8% | 8.2% | 7.7% | 8.1% | 7.9% |

(P)=Projection

11. CAPITAL EXPENDITURE & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2003 | | | 2002 | | |
|-------------------------------|-------------|----------------|---------|-------------|-------------|---------|
| | 3rd quarter | 4th quarter(P) | Year(P) | 3rd quarter | 4th quarter | Year |
| Capital expenditure | 40,326 | 74,881 | 225,000 | 39,295 | 54,501 | 198,702 |
| Depreciation and amortization | 45,974 | 45,932 | 177,000 | 44,338 | 48,977 | 165,260 |

(P)=Projection

12. INVENTORIES**(1) Inventories**

(Millions of yen)

| | 2003 | 2002 | Difference |
|----------------------------|---------|---------|------------|
| | Sep. 30 | Dec. 31 | |
| Business machines | 270,783 | 247,804 | +22,979 |
| Cameras | 77,036 | 53,343 | +23,693 |
| Optical and other products | 146,121 | 131,104 | +15,017 |
| Total | 493,940 | 432,251 | +61,689 |

(2) Inventories/Sales*

(Days)

| 2003 | 2002 |
|------|------|
|------|------|

Edgar Filing: CANON INC - Form 6-K

| | <u>Sep. 30</u> | <u>Dec. 31</u> | <u>Difference</u> |
|----------------------------|-------------------|-------------------|-------------------|
| Business machines | 44 | 39 | +5 |
| Cameras | 44 | 35 | +9 |
| Optical and other products | 207 | 189 | +18 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | 57 | 51 | +6 |
| | <u> </u> | <u> </u> | <u> </u> |

* Index based on the previous six months sales.

13. DEBT RATIO

| | <u>2003</u> | <u>2002</u> | |
|---------------------------|----------------|----------------|-------------------|
| | <u>Sep. 30</u> | <u>Dec. 31</u> | <u>Difference</u> |
| Total debt / Total assets | 3.7% | 5.0% | -1.3% |

14. OVERSEAS PRODUCTION RATIO

| | <u>2003</u> | <u>2002</u> |
|---------------------------|----------------------------|-------------|
| | <u>1st-3rd quarter</u> | <u>Year</u> |
| Overseas production ratio | 42% | 38% |

15. NUMBER OF EMPLOYEES

| | <u>2003</u> | <u>2002</u> | |
|----------|-------------------|-------------------|-------------------|
| | <u>Sep. 30</u> | <u>Dec. 31</u> | <u>Difference</u> |
| Japan | 45,981 | 44,443 | +1,538 |
| Overseas | 57,049 | 53,359 | +3,690 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | 103,030 | 97,802 | +5,228 |
| | <u> </u> | <u> </u> | <u> </u> |

- S5 -