

CANON INC  
Form 6-K  
April 15, 2004

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**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Report of Foreign Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For the month of April, 2004

**CANON INC.**

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(Translation of registrant's name into English)

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

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(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  X       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  X

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

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SIGNATURES

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

		<b>CANON INC.</b>
		_____
		(Registrant)
Date April 9, 2004	By	/s/ Hiroshi Kawashimo
		_____
		(Signature)*
		Hiroshi Kawashimo General Manager, Finance Division Canon Inc.

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

The following materials are included.

Annual Report filed with the Japanese government pursuant to the Securities and Exchange Law of Japan For the fiscal year ended December 31, 2003

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[English summary with full translation of consolidated financial information]

**Annual Report filed with the Japanese government  
pursuant to the Securities and Exchange Law of Japan**

**For the fiscal year ended  
December 31, 2003**

**CANON INC.  
Tokyo, Japan**

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Disclaimer Regarding Forward-Looking Statements

This annual report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) concerning Canon Inc. and its subsidiaries. To the extent that statements in this annual report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Canon in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Canon's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Canon undertakes no obligation to publicly update any forward-looking statements after the date of this annual report. Investors are advised to consult any further disclosures by Canon in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, exchange rate fluctuations; the uncertainty of Canon's ability to implement its plans to localize production and other measures to reduce the impact of exchange rate fluctuations; uncertainty as to economic condition, in Canon's major markets; uncertainty of continued demand for Canon's high-value-added products; uncertainty as to the recovery of computer and related markets; uncertainty of recovery in demand for Canon's semiconductor production equipment; Canon's ability to continue to develop products and to market products that incorporate new technology on a timely basis, are competitively priced and achieve market acceptance; the possibility of losses resulting from foreign currency transactions designed to reduce financial risks from changes in foreign exchange rates; and inventory risk due to shifts in market demand.

Note: Certain information that has been previously filed with the SEC in other reports, including English summaries of non-consolidated (parent company alone) financial information, is not included in this English translation.

**Table of Contents****I. Corporate Information****(1) Consolidated Financial Summary**

**Millions of Yen (except per share amounts)**

	<b>Year ended December 31</b>				
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Net sales	2,530,896	2,696,420	2,907,573	2,940,128	3,198,072
Income before income taxes and minority interest	156,072	227,196	281,566	330,017	448,170
Net income	70,234	134,088	167,561	190,737	275,730
Stockholders' equity	1,202,003	1,298,914	1,458,476	1,591,950	1,865,545
Total assets	2,587,532	2,832,125	2,844,756	2,942,706	3,182,148
Net assets per share (Yen)	1,379.15	1,483.41	1,664.52	1,813.65	2,120.58
Earnings per share: basic (Yen)	80.66	153.66	191.29	217.56	313.81
Earnings per share: diluted (Yen)	79.50	151.51	188.70	214.80	310.75
Stockholders' equity / total assets (%)	46.5	45.9	51.3	54.1	58.6
Net income / Stockholders' equity (%)	6.0	10.7	12.2	12.5	15.9
Stock price earnings ratio (times)	50.3	26.0	23.6	20.5	15.9
Cash flows from operating activities	308,917	346,616	305,752	448,950	465,649
Cash flows from investing activities	(200,982)	(212,804)	(192,592)	(230,220)	(199,948)
Cash flows from financing activities	(122,823)	(100,597)	(121,228)	(183,714)	(102,039)
Cash and cash equivalents at end of period	480,453	493,962	506,234	521,271	690,298
Number of employees	81,009	86,673	93,620	97,802	102,567

## Notes:

- 1 The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States.
- 2 Consumption tax is excluded from the stated amount of net sales.
- 3 From the fiscal year ended December 31, 2001 (fiscal 2001), Canon has applied new accounting standards for sales incentives, and applied retroactively to the consolidated financial statements for the prior year.

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**(2) Principal Businesses**

The Canon Group consists primarily of the parent company, Canon Inc., 198 consolidated subsidiaries and 19 affiliated companies. Canon is one of the world's leading manufacturers of copying machines, laser beam printers, inkjet printers and steppers and is also engaged in sales and marketing activities around the world. Although research and development is conducted primarily by Canon Inc., manufacturing is spread between Canon Inc. and its manufacturing subsidiaries in Japan and overseas with links to specific business segments. Marketing and distribution activities are conducted mainly through sales subsidiaries, which have responsibility for specific geographic areas. In Japan, Canon's products are mainly sold through Canon Sales Co., Inc. In overseas, Canon sells its products mainly through Canon U.S.A. Inc., Canon Europa N.V., Canon (UK) Ltd., Canon France S.A., Canon Deutschland GmbH, Canon (China) Co., Ltd. and Canon Singapore Pte. Ltd.

The main products and main manufacturing companies for each business segment are as follows:

**The Business machine product group**

*Office imaging products*

Office imaging products include office network digital MFDs, color network digital MFDs, office copying machines, personal-use copying machines and full-color copying machines.

*Computer peripherals*

Computer peripherals include laser beam printers, inkjet printers, inkjet multifunction peripherals and image scanners.

*Business information products*

Business information products include micrographic equipment, personal computers and calculators.

The main manufacturing companies for the business machine product group are as follows:

Canon Inc.  
Canon Electronics Inc.  
Canon Finetech Inc.  
Nisca Corporation  
Canon Chemicals Inc.  
Canon Components, Inc.  
Canon Precision Inc.  
Nagahama Canon Inc.  
Oita Canon Materials Inc.  
Ueno Canon Materials Inc.  
Fukushima Canon Inc.  
Canon Virginia, Inc.  
Canon Giessen GmbH  
Canon Bretagne S.A.S.  
Canon Dalian Business Machines, Inc.  
Canon Zhuhai, Inc.

Canon Zhongshan Business Machines Co., Ltd.

Canon (Suzhou) Inc.

Canon Electronic Business Machines (H.K.) Co., Ltd.

Canon Hi-Tech(Thailand) Ltd.

Canon Vietnam Co., Ltd.

\*Lotte Canon Co., Ltd.



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**The Camera product group**

*Cameras*

The camera product group includes single lens reflex ( SLR ) cameras, compact cameras, digital cameras and digital video camcorders.

The main manufacturing companies for the camera product group are as follows:

Canon Inc.  
Oita Canon Inc.  
Canon Inc., Taiwan  
Canon Zhuhai, Inc.  
Canon Opto (Malaysia) Sdn.Bhd.

**The Optical and other products product group**

*Optical and other products*

The optical and other products product group includes steppers for semiconductor chip production, mirror projection mask aligners used in the production of LCDs, television broadcasting lenses and medical equipment.

The main manufacturing companies for the Optical and other products product group are as follows:

Canon Inc.  
Canon Electronics Inc.  
Canon N.T.C., Inc.  
Canon Components, Inc.  
Canon Precision Inc.  
\*TECH Semiconductor Singapore. Pte. Ltd.

Notes:

- 1 Companies with asterisk(\*) are affiliated companies that are accounted for on equity basis.
- 2 Canon Precision Inc. and its subsidiary, Hirosaki Precision Inc., have merged and became as Canon Precision Inc. on January 1, 2004. On the same date, Canon N.T.C. Inc. changed its name to Canon Semiconductor Equipment Inc. and also newly established a company through spin off and named it as Canon Ecology Industry Inc.
- 3 Effective 1st half 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.

**(3) Number of Employees**

Canon s number of employees by product group are summarized as follows:

<b>Number of Employees by product group</b>	<b>As of Dec. 31, 2003</b>
Business Machines	68,291
Cameras	15,856
Optical and other products	13,231
Corporate	5,189
	<hr/>
Total	102,567
	<hr/>

**Table of Contents****II. The Business****(1) Operating Results**

Looking back at the global economy in 2003, although economic conditions in the United States remained stagnant during the first half of the year, a recovery quickly took hold from the third quarter, led by healthy consumer spending resulting from tax cuts, and growth in capital investment in the private sector, which was supported by low-interest rate monetary policy. The economies of Europe remained flat through most of 2003, although an increase in exports accompanying the upturn in the U.S. economy pointed to signs of a recovery in the region in the latter half of the year. Asian economies grew substantially during 2003, particularly in China, as the adverse effects of the Severe Acute Respiratory Syndrome (SARS) epidemic were kept to a minimum. In Japan, while there were no signs of a turnaround in consumer spending or employment and income conditions, a gradual recovery was evident during the second half of the year as exports and capital investment showed steady improvement.

With respect to the markets in which the Canon Group operates, demand for digital cameras and digital video camcorders continued to expand in 2003. While shifting business demand toward multifunctionality and color stimulated strong sales of network digital multifunction devices (MFDs), computer peripherals, which mainly consist of printers, struggled amid severe price competition. In the field of optical products, the semiconductor-production equipment market began to show signs of a recovery while increased demand for liquid crystal display (LCD) televisions fueled growth in the market for projection aligners, used in the production of LCDs. The average value of the yen in 2003 was ¥115.61 to the U.S. dollar, and ¥131.02 to the euro, representing an appreciation of 8% against the U.S. dollar, and a depreciation of 10% against the euro, compared with the previous year.

Amid these conditions, Canon's consolidated net sales in 2003 totaled ¥3,198.1 billion, marking the first time the company has surpassed the ¥3,000 billion level. The achievement represents a 8.8% increase from the previous year, owing to significant growth in sales of digital cameras and color network digital MFDs. Net income for the year also rose 44.6% to ¥275.7 billion. Canon achieved record highs in both consolidated net sales and net income, and the fourth consecutive year of sales and profit growth. Canon's gross profit increased by 14.9% compared to the previous year, boosted by an increase in sales volume as well as an improved gross profit ratio, made possible through R&D reforms supporting the timely launch of competitive new products, and cost savings realized through sustained production reforms. Selling, general and administrative expenses increased by 9.6% from the previous year as R&D expenditures grew 10.9% to ¥259.1 billion and advertising and other marketing expenses increased markedly, reflecting management's policy to strengthen the company's corporate and brand images. Consequently, operating profit in 2003 significantly increased by 31.2% to ¥454.4 billion. Other income (deductions) improved by ¥10.1 billion, owing to the increase in net interest income resulting from the company's strengthened financial condition, in addition to the decrease in currency exchange losses and improved equity affiliates earnings. As a result, income before income taxes and minority interests in 2003 totaled ¥448.2 billion, a 35.8% increase from fiscal 2002. The effective tax rate during the term declined by 4.5% compared with fiscal 2002 due to an increased tax credit for R&D expenditures arising from an amendment to Japanese tax regulations. Consequently, net income in 2003 increased substantially by 44.6% to ¥275.7 billion, which exceeds the growth rate of income before income taxes.

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Canon's annual results by business segment are summarized as follows:

In the business machine segment, demand for network digital MFDs, which are grouped in the office imaging products sub-segment, appears to be shifting from monochrome machines to color models, as well as a trend toward higher-end features. Additionally, the Color imageRUNNER C3200/iRC3200N, Canon's first color offerings in the high-end imageRUNNER (iR)-series lineup, was well received in Japan and overseas markets, and contributed significantly to increased sales of office imaging products. Among monochrome network digital MFDs, the high-end iR5000 series and iR105 models continued to record strong sales during the term. Overall, year-on-year sales of office imaging products increased 3.7%. In the field of computer peripherals, sales of which were flat in the previous year due to inventory adjustment by Canon's OEM partner, a recovery in orders fueled robust growth in terms of unit sales during 2003, especially among personal models. Inkjet printers also performed well, with sales of the i560 and i860 remaining brisk, and a large rise in unit sales of such products as the MultiPASS MP700/MP730 high-speed multifunction inkjet systems. As a result, despite the adverse effect of severe price competition, sales of computer peripherals in 2003 increased by 3.2%. Conversely, sales of business information products, including computers, micrographics and calculators, decreased by 16.1% due to the intentional curtailing of sales of personal computer in the domestic market. Collectively, sales of business machines in 2003 totaled ¥2,273.9 billion, a year-on-year increase of 2.1%. In addition to cost-cutting measures and the introduction of new price-competitive products, which contributed to an improvement in the gross profit ratio, a steady increase in sales volume boosted operating profit in 2003 by 18.5% to ¥487.1 billion.

In the camera segment, amid the continued strong demand for digital cameras worldwide, Canon launched several new compact digital cameras in 2003, including six new PowerShot-series models and three new DIGITAL ELPH-series. These new products, led by the PowerShot S400 DIGITAL ELPH, contributed greatly to an increase in sales. Canon's digital SLR cameras also enjoyed robust sales growth, bolstered by the introduction of a new product lineup, including the EOS 10D, launched in the first half of 2003, and the EOS Digital Rebel, launched in September. Sales of conventional film cameras, however, continued to decline amid the increasing popularity of digital models and price competition. In the field of digital video camcorders, the six new products Canon launched during the year, including the OPTURA 300, contributed to increased sales. The camera segment as a whole continued to achieve significant sales growth of 34.5%, totaling ¥653.5 billion in 2003. Operating profit for the camera segment appreciably advanced 79.7% to ¥126.3 billion, attributable to the rapid growth in sales of digital cameras, along with a significant improvement in the gross profit ratio, made possible through effective cost-saving initiatives.

In the optical and other products segment, sales of aligners for the production of LCDs displayed notable growth as the PC monitor industry continued its shift from cathode-ray tube(CRT) to LCD computer displays, and the LCD television market continued to expand, while sales of steppers, used for the production of semiconductors, also increased as the semiconductor market began to show signs of a turnaround. Accordingly, sales of optical and other products totaled ¥270.6 billion, a year-on-year increase of 18.6%. Despite increased sales for the segment, the gross profit ratio decreased in 2003 due to severe competition in the market and a one-time expense for the disposal of inventories, resulting in an operating loss of ¥11.4 billion for the term.

Annual results by domestic and overseas company location are summarized as follows:

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*Japan*

Sales increased by 8.6% to ¥856.9 billion despite a decrease in sales of personal computers. The results were mainly attributable to increased sales of office network digital MFDs, color network digital MFDs, digital cameras and semiconductor-production equipment. Geographical operating profit rose 24.5% to ¥493.6 billion.

*Americas*

Sales increased by 3.7% to ¥1,045.0 billion despite a decrease in sales of inkjet printers and office copying machines. The results were mainly attributable to robust increased sales of digital cameras. Geographical operating profit rose 14.2% to ¥54.6 billion.

*Europe*

Sales increased by 13.6% to ¥968.9 billion and geographical operating profit rose 24.9% to ¥26.5 billion. The results were mainly attributable to steady increased sales of digital cameras and laser beam printers, and remain the depreciation of the yen against the euro.

*Asia and others*

Sales increased by 12.6% to ¥327.3 billion, mainly due to an increase in digital cameras and semiconductor-production equipment sales. Geographical operating profit also rose 33.6% to ¥24.1 billion.

*Cash Flows*

Cash and cash equivalents increased by ¥169.0 billion from the end of the previous year, to ¥690.3 billion at the end of 2003.

*Cash flows from operating activities*

Cash flow from operating activities in 2003 increased by ¥16.7 billion from the previous year to ¥465.6 billion, mainly due to the substantial increase in net income and an increase in depreciation.

*Cash flows from investing activities*

Capital expenditures for the period totaled ¥210.0 billion, which was mainly to expand production capabilities in Japan and overseas. Cash flows from investing activities in 2003 decreased by ¥30.3 billion from the previous year to ¥199.9 billion, including a ¥12.7 billion 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 ¥265.7 billion.

*Cash flows from financing activities*

Cash flow from financing activities recorded an outlay of ¥102.0 billion in 2003, a decrease of ¥81.7 billion from the previous year. The outlay mainly resulted from active efforts to repay short-term and long-term loans towards the goal of improving the company's financial position, including the redemption of ¥10.0 billion in debentures.

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**(2) Managerial Issues to be Addressed**

While the global economies appear to be headed towards recovery, uncertainties such as the post-war reconstruction of Iraq have created an unpredictable and challenging business environment for our Company that may continue for some time. Against this backdrop, Canon has entered the fourth year of Phase II (2001 to 2005) of its Excellent Global Corporation Plan. We will strive to undertake further reforms that will allow us to overcome adverse changes in the operating environment and build a highly profitable business structure.

Because of our high percentage of overseas sales, insulating our earnings from fluctuations in the foreign exchange markets is a crucial issue. In order to accomplish this, we need to attain further cost reductions by establishing rigid cost controls that can weather even severe foreign exchange conditions; we must use the shared knowledge bases of our development and production divisions to create low-cost factory automation, to pursue the goals of no-inspection and no-prototype manufacturing, and strive in everyway to lower costs.

In order to be able to create hit products, differentiation is critical. Going forward, we need to strategically promote both key devices that feature our unique technologies and the in-house production of key components, as well as to create a solid developmental structure that allows us to integrate advanced technologies so that we are able to bring high value-added products to market.

Canon needs to promote diversification. In addition to focusing efforts on starting up our highly promising SED business, we also need to make efficient use of our existing technologies and resources to expand our core business areas.

We need to build up an infrastructure that will strengthen both our research and development and our production technologies. Therefore, in addition to utilizing new facilities, we will upgrade existing facilities, manufacturing plants, and research and development facilities to strengthen our cutting-edge and mass production technologies.

In order to bring about fair working conditions, we need to firmly put in place a personnel system based on performance. Furthermore, we need to create a human resources infrastructure that will lead to strict enforcement of corporate ethics, and a corporate culture where misconduct can be prevented before it happens.

**(3) R&D Expenditure**

Canon has positioned fiscal 2003 as the midway point of PhaseII (2001-2005) of the Excellent Global Corporation Plan . Canon has been making efforts to build R&D capabilities which enables us to acquire a top share in every main business area and to continually create new business opportunities one after another by the year of 2005. Canon's R&D expenditures for the fiscal 2003 totaled ¥259,140 million.

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R&D expenditures by product group are summarized as follows:

<b>R&amp;D Expenditure by product group</b>	<b>Millions of Yen</b>	
	<b>2003</b>	<b>2002</b>
Business Machines	119,112	110,290
Cameras	31,687	25,975
Optical and other products	26,708	20,632
Corporate	81,633	76,772
	<b>_____</b>	<b>_____</b>
Total	259,140	233,669
	<b>_____</b>	<b>_____</b>

**III. Property, Plant and Equipment****(1) Capital Investment**

During the year ended December 31, 2003, the Company invested a total of ¥210,038 million in property, plant and equipment, with emphasis on production facilities in such strategically important areas as key components and devices, business machines products and optical products equipment. Capital investment by product is summarized as follows:

<b>Product group</b>	<b>Millions of Yen</b>	<b>Principal use</b>
Business Machines	105,700	Enhancing of the production capacity and laborsaving facilities
Cameras	25,894	Enhancing of the production capacity and laborsaving facilities
Optical and other products	31,483	Enhancing of the production capacity
Corporate	46,961	Rationalization of the R&D and administration facilities
	<b>_____</b>	<b>_____</b>
Total	210,038	

**(2) Prospect of Capital Investment in fiscal 2004**

<b>Product group</b>	<b>Millions of Yen</b>	<b>Principal use</b>
Business Machines	120,000	Enhancing of the production capacity
Cameras	44,000	Enhancing of the production capacity
Optical and other products	60,000	Enhancing of the production capacity
Corporate	76,000	Rationalization of the R&D and administration facilities
	<b>_____</b>	<b>_____</b>

Total 300,000

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Total number of authorized shares is 2,000,000,000 shares.

The common stock of the Company is listed on the Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Frankfurt and New York stock exchanges.

Total outstanding shares, capital stock and number of shareholders are as follows:

	<b>As of the end of the Previous Term</b>	<b>Increase/Decrease during This Term</b>	<b>As of the end of This Term</b>
Total outstanding shares (share)	879,136,244	2,202,401	881,338,645
Capital stock (Yen)	167,242,433,582	1,649,598,349	168,892,031,931
Number of shareholders (person)	34,148	787	34,935

Note: The increase of the total outstanding shares and capital stock during this term reflects the conversion of convertible debt into shares.

**(2) Major Shareholders (Top ten shareholders)**

	<b>(as of Dec. 31, 2003)</b>	
	<b>Number of shares held (thousands of shares)</b>	<b>Number of shares held / Number of shares issued</b>
State Street Bank and Trust Company	63,441	7.20%
Japan Trustee Services Bank, Ltd. (Trust Account)	61,301	6.96%
The Dai-Ichi Mutual Life Insurance Co.	59,090	6.70%
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,277	4.91%
Mizuho Corporate Bank, Ltd.	32,784	3.72%
The Chase Manhattan Bank, N.A. London	28,297	3.21%
Moxley and Co.	27,717	3.15%
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	21,366	2.42%
Mellon Bank Treaty Clients Omnibus	18,076	2.05%
Sompo Japan Insurance Inc.	15,273	1.73%
Total	370,626	42.05%

**Table of Contents****(3) Stock Price Transition**

The following table sets forth the yearly reported high and low sales prices of the Company's common stock on the Tokyo Stock Exchange from fiscal 1999 to fiscal 2003:

	(Yen)				
	1999	2000	2001	2002	2003
High	4,200	5,620	5,330	5,250	6,210
Low	2,170	3,400	3,150	3,620	3,910

The following table sets forth the monthly reported high and low sales prices of the Company's common stock on the Tokyo Stock Exchange for the second half of fiscal 2003:

	(Yen)					
	July	August	September	October	November	December
High	6,120	5,890	6,210	5,650	5,550	5,210
Low	5,430	5,500	5,280	5,100	4,620	4,650

**V. Changes in Directors****Newly-appointed Directors**

Director : Masahiro Osawa (Deputy Group Executive of Finance & Accounting Headquarters)  
 Director : Keijiro Yamazaki (Deputy Group Executive of Human Resources Management & Organization Headquarters)  
 Director : Shunichi Uzawa (Deputy Group Executive of SED Development Headquarters)  
 Director : Masaki Nakaoka (Deputy Chief Executive of Office Imaging Products Operations)  
 Director : Toshiyuki Komatsu (Deputy Group Executive of Leading-Edge Technology Development Headquarters)  
 Director : Shigeyuki Matsumoto (Group Executive of Device Technology Development Headquarters)  
 Director : Haruhisa Honda (Deputy Chief Executive of Chemical Products Operations)

**Retired Directors**

Senior Managing Director : Ichiro Endo  
 Senior Managing Director : Akira Tajima  
 Managing Director : Takashi Saito  
 Director : Teruomi Takahashi

**Newly-appointed Auditors**

Corporate Auditor : Teruomi Takahashi  
 Corporate Auditor : Kunihiko Nagata

**Retired Auditors**

Corporate Auditor : Kohtaro Miyagi

Corporate Auditor : Masaharu Aono

**Promoted Directors**

Managing Director : Hironori Yamamoto (Group Executive of Core Technology Development Headquarters )

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**VI. Financial Statements**

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CANON INC. AND SUBSIDIARIES  
Consolidated Balance Sheets  
December 31, 2003 and 2002

	<b>Millions of yen</b>	
	<b>2003</b>	<b>2002</b>
Assets		
Current assets:		
Cash and cash equivalents (note 6)	690,298	521,271
Marketable securities (note 3)	1,324	7,255
Notes Receivables	28,880	26,456
Accounts Receivables	524,549	484,162
Allowance for doubtful receivables	(14,423)	(12,031)
Finished goods	305,414	288,592
Work in process	124,410	127,769
Raw materials	14,420	15,890
Prepaid expenses and other current assets (note 8)	255,905	245,610
	1,930,777	1,704,974
Total current assets		
Noncurrent receivables (note 15)	16,543	20,568
Investments		
Investments in Affiliated Companies (note 5)	24,806	30,007
Other (note 3)	54,106	34,030
	78,912	64,037
Total Investments		
Property, plant and equipment (note 6)		
Land	177,953	167,848
Buildings	766,398	743,473
Machinery and equipment	990,638	962,037
Construction in progress	29,627	34,640
	1,964,616	1,907,998
Subtotal		
Accumulated depreciation	(1,118,183)	(1,077,694)
Property, plant and equipment, net	846,433	830,304
Other Assets (notes 4,7,and 8)	309,483	322,823
Total assets	3,182,148	2,942,706
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term loans (note 6)	2,941	47,748
Long-term debt due within one year (note 6)	36,195	19,006
Notes Payables	47,771	62,894

Accounts Payables	343,410	345,570
Income Taxes (note 8)	83,064	80,169
Accrued expenses (note 15)	193,657	154,621
Other current liabilities (note 8)	120,265	91,832
	<u>          </u>	<u>          </u>
Total current liabilities	827,303	801,840
Long-term debt, excluding current installments (note 6)	59,260	81,349
Accrued pension and severance cost (note 7)	238,001	285,129
Other noncurrent liabilities (note 8)	30,843	26,193
	<u>          </u>	<u>          </u>
Total liabilities	1,155,407	1,194,511
	<u>          </u>	<u>          </u>

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	<b>Millions of yen</b>	
	<b>2003</b>	<b>2002</b>
Minority interests	161,196	156,245
Stockholders' equity:		
Common stock (notes 6 and 9)	168,892	167,242
(Authorized shares)	(2,000,000,000)	(2,000,000,000)
(issued shares)	(881,338,645)	(879,136,244)
Additional paid-in capital (notes 6 and 9)	396,939	394,088
Retained earnings		
Legal reserve (note 10)	39,998	38,803
Retained earnings (notes 5, 8 and 10)	1,410,442	1,164,445
Total Retained earnings	1,450,440	1,203,248
Accumulated other comprehensive income (loss) (notes 3, 7, 8, 12 and 14)	(143,275)	(166,467)
Treasury stock at cost	(7,451)	(6,161)
(Number of shares)	(1,606,513)	(1,373,557)
Total stockholders' equity	1,865,545	