

CANON INC
Form 6-K
November 01, 2004

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 October 2004

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, 2004

Operating Results and Financial Conditions

Table of Contents

**CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND
THE NINE MONTHS ENDED SEPTEMBER 30, 2004**

October 28, 2004

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

| | Actual | | | |
|---|--|--|---------------|--|
| | Three months ended September 30, 2004 | Three months ended September 30, 2003 | Change (%) | Three months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Net sales | ¥ 838,304 | ¥ 767,599 | + 9.2 | \$ 7,552,288 |
| Operating profit | 158,299 | 125,562 | + 26.1 | 1,426,117 |
| Income before income taxes and minority interests | 162,629 | 117,336 | + 38.6 | 1,465,126 |
| Net income | <u>101,780</u> | <u>73,005</u> | <u>+ 39.4</u> | <u>916,937</u> |
| Earnings per share: | | | | |
| Basic | ¥ 114.79 | ¥ 83.03 | + 38.3 | \$ 1.03 |
| Diluted | <u>114.62</u> | <u>82.27</u> | <u>+ 39.3</u> | <u>1.03</u> |

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

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

| | Actual | | | Projected | |
|--|-----------------------|----------------------|---------------|----------------------|---|
| | Nine months ended, | Nine months ended | Change (%) | Nine months ended | Year ending December 31, Change (%) |
| | | | | | |

Edgar Filing: CANON INC - Form 6-K

| | September 30, 2004 | September 30, 2003 | | September 30, 2004 | 2004 | |
|---|-----------------------|-----------------------|--------|-----------------------|------------|--------|
| | (Unaudited) | (Unaudited) | | (Unaudited) | | |
| Net sales | ¥2,486,724 | ¥ 2,303,187 | + 8.0 | \$ 22,402,919 | ¥3,470,000 | + 8.5 |
| Operating profit | 411,675 | 341,536 | + 20.5 | 3,708,784 | 535,000 | + 17.7 |
| Income before income taxes and minority interests | 422,603 | 332,842 | + 27.0 | 3,807,234 | 548,000 | + 22.3 |
| Net income | 262,556 | 200,772 | + 30.8 | 2,365,369 | 339,000 | + 22.9 |
| <hr/> | | | | | | |
| Earnings per share: | | | | | | |
| Basic | ¥ 296.70 | ¥ 228.58 | + 29.8 | \$ 2.67 | ¥ 382.25 | + 21.8 |
| Diluted | 295.80 | 226.26 | + 30.7 | 2.66 | | |
| <hr/> | | | | | | |

Actual

| | As of September 30, 2004 | As of December 31, 2003 | Change (%) | As of September 30, 2004 |
|------------------------|-----------------------------------|----------------------------------|---------------|-----------------------------------|
| | (Unaudited) | | | (Unaudited) |
| Total assets | ¥3,450,304 | ¥ 3,182,148 | + 8.4 | \$ 31,083,820 |
| Stockholders equity | ¥2,138,967 | ¥ 1,865,545 | + 14.7 | \$ 19,269,973 |
| <hr/> | | | | |

- Notes: 1. Canon's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.
2. U.S. dollar amounts are translated from yen at the rate of JPY111=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2004, 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

2004 Third Quarter in Review

Looking back at the global economy in the third quarter of 2004, the U.S. economy displayed growth as employment conditions continued to improve, consumer spending increased modestly, and private sector capital spending continued to grow, fueled by an upturn in corporate earnings. Economic growth in Europe remained moderate through most of the third quarter of 2004 due to sluggish consumer spending resulting from listless employment conditions and a slowdown in export sales, which had been supporting an economic recovery. In Asia, China continued to achieve high economic growth, driven by strong consumer spending and increased capital investment, and other Asian economies were also in recovery mode. In Japan, the economy continued to recover gradually amid increased export sales and capital investment, along with stable consumer spending sustained by improved employment conditions.

As for the markets in which the Canon Group operates, although sales of digital cameras slowed in Japan due to a rising household penetration rate, demand overseas, especially in Europe, continued to grow significantly during the term. While demand for network digital multifunction devices (MFDs) remained strong as the office market moves toward multifunctionality and color, computer peripherals, including printers, struggled amid severe price competition and the shift in demand toward lower priced models offering improved functionality. In the field of optical equipment, capital spending for semiconductor-production equipment recovered strongly owing to such factors as the high rate of capacity utilization by semiconductor manufacturers, and the sustained high price of memory devices resulting from replacement demand for personal computers and the significant growth in demand for digital consumer electronics. Moreover, increased demand for liquid crystal display (LCD) televisions fueled growth in the market for projection aligners, which are used in the production of LCDs. The average value of the yen for the third quarter was ¥109.97 to the U.S. dollar and ¥134.37 to the euro, representing a year-on-year increase of 7% against the U.S. dollar, and a decrease of 2% against the euro.

Amid these conditions, Canon's consolidated net sales for the third quarter increased by 9.2% from the year-ago period to ¥838.3 billion (U.S.\$7,552 million), boosted by a significant rise in sales of digital cameras and color network MFDs, along with a substantial increase in sales of laser beam printers, semiconductor-production equipment and projection aligners used in the production of LCDs. Net income for the third quarter recorded an all-time high of ¥101.8 billion (U.S.\$917 million), a year-on-year increase of 39.4%. Despite ongoing production-reform efforts during the term and the timely launch of competitive new products, the gross profit ratio decreased 1.8% from the year ago period to 48.9%, mainly due to severe price competition and the appreciation of the yen against the U.S. dollar. Although R&D expenditures grew by ¥2.3 billion (U.S.\$21 million) to ¥59.4 billion (U.S.\$535 million) along with increased advertising and sales-promotion spending, selling, general and administrative expenses for the third quarter decreased 4.5% year on year, mainly due to other selling, general and administrative expenses remaining at a lower level than the year-ago period coupled with a ¥13.8 billion (U.S.\$124 million) gain realized from the return to the Japanese Government of the substitutional portion of the employees pension funds (EPF) that the company and certain of its subsidiaries in Japan had operated. Consequently, operating profit in the third quarter totaled ¥158.3 billion (U.S.\$1,426 million), a substantial year-on-year increase of 26.1%. Other income (deductions) improved by ¥12.6 billion (U.S.\$113 million), attributable to a ¥13.3 billion (U.S.\$120 million) decrease in currency exchange losses. As a result, income before income taxes and minority interests in the third quarter totaled ¥162.6 billion (U.S.\$1,465 million), a year-on-year increase of 38.6%. With an effective tax rate during the quarter of 34.4%, which was 1.4% lower compared with the year before, net income for the third quarter totaled ¥101.8 billion (U.S.\$917 million), reaching the ¥100 billion mark for the first time for a quarterly result.

Basic earnings per share for the quarter was ¥114.79 (U.S.\$1.03), a year-on-year increase of ¥31.76 (U.S.\$0.29).

Table of Contents**Results by Product Segment**

In the business machine segment, demand for network digital MFDs, which are grouped in the office imaging products sub-segment, indicates a shift from monochrome to color models, as well as a trend toward higher-end features. Additionally, the Color imageRUNNER C3200/iR C3200N, Canon's first color offering in the powerful imageRUNNER-series lineup, continued to sell well in both the domestic Japanese and overseas markets. The iR C3100 and the high-end model iR C6800, introduced in Japan in the second half of 2003, were also launched in Europe and the United States in the first half of 2004 and have also been well received in these markets. The iR C3220/iR C3220N and iR C2620/iR C2620N, which succeed the iR C3200, were just released in September and have also been well received. Among monochrome network digital MFDs, such low-end models as the iR1600/2000 series recorded considerable sales increases, while mid-level models, such as the iR2200 series, and high-end models, such as the iR5000 series, also achieved strong sales. Overall, sales of office imaging products for the third quarter realized a year-on-year increase of 2.5%. In the field of computer peripherals, laser beam printers enjoyed a year-on-year increase in unit sales of nearly 15%, with color models showing a significant increase in sales and monochrome systems, particularly personal-use models, also displaying growth. Despite the effects of the yen's appreciation against the U.S. dollar and a shift in demand toward lower priced models in the monochrome segment, laser beam printer sales substantially increased due to an increase in sales of color models. Although inkjet printers recorded an approximately 15% increase in unit sales with the i560 and i860 models selling briskly, especially in Japan and Europe, along with the MultiPASS MP360/MP370 high-speed multifunction systems, sales value decreased slightly due to price competition. As a result, despite the effect of appreciation of the yen against US dollar, sales of computer peripherals in the third quarter increased by 9.7%. Sales of business information products, including computers, micrographics and calculators, decreased by 10.1% due to the intentional curtailing of personal computer sales in the domestic market. Collectively, sales of business machines in the third quarter totaled ¥580.0 billion (U.S.\$5,225 million), a year-on-year increase of 5.2%. Despite the effects of the stronger yen, the gross profit ratio remained at the year-ago level, supported by cost reduction efforts, and the sales-to-expense ratio declined, resulting in third quarter operating profit of ¥139.6 billion (U.S.\$1,258 million) for the business machine segment, a year-on-year increase of 13.8%. In the first quarter of 2004, Canon reclassified information-systems-related sales by subsidiaries to better reflect the product relationship. These sales, which had previously been grouped with optical and other products, are now included in the office imaging products segment. Accordingly, previous-year sales for each category have been reclassified in line with the change.

Within the camera segment, amid the continued strong demand for digital models worldwide, sales of compact digital cameras showed significant growth, boosted by the launch of eight new PowerShot-series models in the first half. Among the new lineup, the PowerShot S500 Digital ELPH and PowerShot A75 in particular have achieved strong sales while new models released in September have also been well received by the market. Canon's digital SLR cameras also continued to enjoy robust growth, bolstered by the EOS Digital Rebel, launched in September of last year, and the successor to the EOS 10D, the EOS 20D, which was introduced in September, 2004. As a result, unit sales of digital cameras grew by nearly 50% compared with the year-ago period. In the field of digital video camcorders, new models such as the Optura 500/400, Elura 70/65/60 and Optura 40/30 models achieved favorable sales during the third quarter. Consequently, camera sales overall continued to enjoy growth of 5.9%, achieving total sales of ¥165.0 billion (U.S.\$1,486 million). Operating profit for the camera segment decreased 23.1% to ¥29.8 billion (U.S.\$268 million), as the gross profit ratio decreased slightly due to the effects of the stronger yen and price competition, along with increased advertising and sales-promotion spending. As a result, the operating profit ratio for the period decreased by 6.8% year-on-year.

In the optical and other products segment, sales of aligners for the production of LCDs realized notable growth as the PC monitor industry continued shifting from CRT to LCD computer displays, and the LCD television market continued to expand. Sales of steppers, used for the production of semiconductors, also increased as investment in semiconductor-production equipment showed a recovery owing to the improved conditions in the

semiconductor-device market. As a result, sales for the segment increased by 53.6% to ¥93.3 billion (U.S.\$841 million). The operating profit ratio for the segment improved substantially due to the significant growth in unit sales, enabling optical and other products to record an operating profit of ¥10.2 billion (U.S.\$92 million), compared with an operating loss of ¥2.9 billion, for the same period of the previous year.

Cash Flow

In the nine months ended September 30, 2004, Canon maintained cash flow from operating activities of ¥387.3 billion (U.S.\$3,489 million), a year-on-year increase of ¥60.9 billion (U.S.\$548 million), reflecting the

Table of Contents

substantial growth in sales and increased cash proceeds from sales, combined with a substantial increase in net income. Capital expenditure totaled ¥219.5 billion (U.S.\$1,978 million), which was used mainly to expand production capabilities in both domestic and overseas regions, as well as for development of R&D related infrastructure. Cash flow from investing activities totaled ¥175.1 billion (U.S.\$1,578 million). As a result, free cash flow, or cash flow from operating activities minus cash flow from investing activities, totaled positive ¥212.2 billion (U.S.\$1,911 million).

Cash flow from financing activities recorded an outlay of ¥90.8 billion (U.S.\$818 million), mainly resulting from active efforts to repay loans toward the goal of improving the company's financial position and an increase in the dividend payout. Consequently, cash and cash equivalents, which totaled ¥812.7 billion (U.S.\$7,322 million), representing a ¥122.4 billion (U.S.\$1,103 million) increase from the end of the previous year, remained at a high level.

Outlook

Regarding the outlook for the global economy in the fourth quarter and thereafter, although global economic prospects remain uncertain due to rising oil prices, which could adversely affect consumer spending, and exchange rate trends, the global economy is likely to continue its course toward recovery. In the businesses in which Canon is involved, the digital camera market is expected to continue enjoying rapid growth particularly in overseas markets. As for network digital MFDs and laser beam printers, while stable demand is projected for both monochrome and full-color models, severe price competition and shifting demand toward lower priced models is expected to adversely affect sales. Within the semiconductor-production equipment market, while the pace of new orders will probably slow down somewhat, the level of capital investment by semiconductor manufacturers is likely to maintain. In the market for projection aligners used in the production of LCDs, demand for LCD production equipment is also expected to show continued growth.

Although uncertainty surrounds several factors that could affect currency exchange rates, significant changes in rates are not anticipated during the fourth quarter. Accordingly, for the year, the yen is expected to be 6% stronger against the U.S. dollar and 2% weaker against the euro compared with the previous year.

Upon considering the current market and currency exchange environments, the company has revised upward its forecasts for the 2004 fiscal year and now anticipates consolidated net sales of ¥3,470.0 billion (U.S.\$31,261 million), consolidated income before income taxes and minority interests of ¥548.0 billion (U.S.\$4,937 million), and consolidated net income of ¥339.0 billion (U.S.\$3,054 million). The company also projects non-consolidated net sales of ¥2,318.0 billion (U.S.\$20,883 million), non-consolidated ordinary profit of ¥384.0 billion (U.S.\$3,459 million), and non-consolidated net income of ¥243.0 billion (U.S.\$2,189 million). These forecasts assume currency exchange rates of ¥108.00 to the U.S. dollar and ¥132.00 to the euro for the remainder of 2004.

Table of Contents**Consolidated Outlook****Fiscal year**

Millions of yen

| | Year ending December 31, 2004 | | Change (B - A) | Year ended | Change (%) (B / C) |
|--|----------------------------------|------------------------|-------------------|-------------------|-----------------------|
| | Previous Outlook (A) | Revised Outlook (B) | | December 31, 2003 | |
| | Results (C) | | | | |
| Net sales | ¥3,470,000 | ¥ 3,470,000 | ¥ | ¥3,198,072 | + 8.5% |
| Income before income taxes and minority interests | 520,000 | 548,000 | 28,000 | 448,170 | + 22.3% |
| Net income | 320,000 | 339,000 | 19,000 | 275,730 | + 22.9% |

Non-Consolidated Outlook**Fiscal year**

Millions of yen

| | Year ending December 31, 2004 | | Change (B - A) | Year ended | Change (%) (B / C) |
|-----------------|----------------------------------|------------------------|-------------------|-------------------|-----------------------|
| | Previous Outlook (A) | Revised Outlook (B) | | December 31, 2003 | |
| | Results (C) | | | | |
| Net sales | ¥2,318,000 | ¥ 2,318,000 | ¥ | ¥2,023,722 | + 14.5% |
| Ordinary profit | 380,000 | 384,000 | 4,000 | 320,616 | + 19.8% |
| Net income | 238,000 | 243,000 | 5,000 | 228,667 | + 6.3% |

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

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, 2004 | Three months ended September 30, 2003 | Change (%) | Three months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Net sales | ¥838,304 | ¥ 767,599 | + 9.2 | \$ 7,552,288 |
| Cost of sales | 428,514 | 378,784 | | 3,860,486 |
| Gross profit | 409,790 | 388,815 | + 5.4 | 3,691,802 |
| Selling, general and administrative expenses | 251,491 | 263,253 | | 2,265,685 |
| Operating profit | 158,299 | 125,562 | + 26.1 | 1,426,117 |
| Other income (deductions): | | | | |
| Interest and dividend income | 1,690 | 2,077 | | 15,225 |
| Interest expense | (538) | (1,005) | | (4,847) |
| Other, net | 3,178 | (9,298) | | 28,631 |
| | 4,330 | (8,226) | | 39,009 |
| Income before income taxes and minority interests | 162,629 | 117,336 | + 38.6 | 1,465,126 |
| Income taxes | 55,907 | 41,980 | | 503,667 |
| Income before minority interests | 106,722 | 75,356 | | 961,459 |
| Minority interests | 4,942 | 2,351 | | 44,522 |
| Net income | ¥101,780 | ¥ 73,005 | + 39.4 | \$ 916,937 |

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 the three months ended September 30, 2004 and 2003 were JPY153,874 million (U.S.\$1,386,252 thousand) and JPY61,456 million, respectively.

Results for the nine months

| | Millions of yen | | | Thousands of U.S. dollars |
|--|---|---|---------------|---|
| | Nine months ended September 30, 2004 | Nine months ended September 30, 2003 | Change (%) | Nine months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Net sales | ¥2,486,724 | ¥ 2,303,187 | + 8.0 | \$ 22,402,919 |
| Cost of sales | 1,251,167 | 1,138,498 | | 11,271,775 |
| Gross profit | 1,235,557 | 1,164,689 | + 6.1 | 11,131,144 |
| Selling, general and administrative expenses | 823,882 | 823,153 | | 7,422,360 |
| Operating profit | 411,675 | 341,536 | + 20.5 | 3,708,784 |
| Other income (deductions): | | | | |
| Interest and dividend income | 4,717 | 6,707 | | 42,495 |
| Interest expense | (1,976) | (3,655) | | (17,802) |
| Other, net | 8,187 | (11,746) | | 73,757 |
| | 10,928 | (8,694) | | 98,450 |
| Income before income taxes and minority interests | 422,603 | 332,842 | + 27.0 | 3,807,234 |
| Income taxes | 148,652 | 124,781 | | 1,339,207 |
| Income before minority interests | 273,951 | 208,061 | | 2,468,027 |
| Minority interests | 11,395 | 7,289 | | 102,658 |
| Net income | ¥ 262,556 | ¥ 200,772 | + 30.8 | \$ 2,365,369 |

Note:

Edgar Filing: CANON INC - Form 6-K

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 the nine months ended September 30, 2004 and 2003 were JPY314,340 million (U.S.\$2,831,892 thousand) and JPY229,046 million, respectively.

- 6 -

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, 2004 (Unaudited) | Three months ended September 30, 2003 (Unaudited) | Change (%) | Three months ended September 30, 2004 (Unaudited) |
| Sales by product | | | | |
| Business machines: | | | | |
| <i>Office imaging products</i> | ¥265,590 | ¥ 259,053 | + 2.5 | \$ 2,392,702 |
| <i>Computer peripherals</i> | 287,243 | 261,830 | + 9.7 | 2,587,775 |
| <i>Business information products</i> | 27,179 | 30,219 | - 10.1 | 244,856 |
| | <u>580,012</u> | <u>551,102</u> | + 5.2 | <u>5,225,333</u> |
| Cameras | 164,991 | 155,755 | + 5.9 | 1,486,405 |
| Optical and other products | 93,301 | 60,742 | + 53.6 | 840,550 |
| | <u>838,304</u> | <u>767,599</u> | + 9.2 | <u>7,552,288</u> |
| Total | ¥838,304 | ¥ 767,599 | + 9.2 | \$ 7,552,288 |

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|--|---|---------------|---|
| | Three months ended September 30, 2004 (Unaudited) | Three months ended September 30, 2003 (Unaudited) | Change (%) | Three months ended September 30, 2004 (Unaudited) |
| Sales by region | | | | |
| Japan | ¥196,104 | ¥ 189,528 | + 3.5 | \$ 1,766,703 |
| Overseas: | | | | |
| <i>Americas</i> | 254,121 | 251,499 | + 1.0 | 2,289,378 |

| | | | | |
|--------------------|-----------------|-----------|--------|---------------------|
| <i>Europe</i> | 254,844 | 226,200 | + 12.7 | 2,295,892 |
| <i>Other areas</i> | 133,235 | 100,372 | + 32.7 | 1,200,315 |
| | 642,200 | 578,071 | + 11.1 | 5,785,585 |
| Total | ¥838,304 | ¥ 767,599 | + 9.2 | \$ 7,552,288 |

Results for the nine months

| | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------------|---|---|---------------|---|
| | Nine months ended September 30, 2004 | Nine months ended September 30, 2003 | Change (%) | Nine months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Sales by product | | | | |
| Business machines: | | | | |
| <i>Office imaging products</i> | ¥ 819,838 | ¥ 798,229 | + 2.7 | \$ 7,385,928 |
| <i>Computer peripherals</i> | 817,915 | 793,092 | + 3.1 | 7,368,604 |
| <i>Business information products</i> | 84,520 | 94,292 | - 10.4 | 761,441 |
| | 1,722,273 | 1,685,613 | + 2.2 | 15,515,973 |
| Cameras | 512,324 | 439,556 | + 16.6 | 4,615,532 |
| Optical and other products | 252,127 | 178,018 | + 41.6 | 2,271,414 |
| Total | ¥2,486,724 | ¥ 2,303,187 | + 8.0 | \$ 22,402,919 |

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------------|---|---|---------------|---|
| | Nine months ended September 30, 2004 | Nine months ended September 30, 2003 | Change (%) | Nine months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Sales by region | | | | |
| Japan | ¥ 609,866 | ¥ 573,447 | + 6.4 | \$ 5,494,288 |
| Overseas: | | | | |

Edgar Filing: CANON INC - Form 6-K

| | | | | |
|--------------------|-------------------|-------------|--------|----------------------|
| <i>Americas</i> | 749,002 | 762,587 | - 1.8 | 6,747,766 |
| <i>Europe</i> | 770,411 | 690,719 | + 11.5 | 6,940,640 |
| <i>Other areas</i> | 357,445 | 276,434 | + 29.3 | 3,220,225 |
| | 1,876,858 | 1,729,740 | + 8.5 | 16,908,631 |
| Total | ¥2,486,724 | ¥ 2,303,187 | + 8.0 | \$ 22,402,919 |

Notes: Beginning first quarter of 2004, Canon has changed classification of product categories with regards to information system business, which had been classified in Optical and other products , to Business machines (Office imaging products) in order to better reflect current relation with those products. Accordingly, information for previous fiscal years has been reclassified to conform with the current classification.

- The primary products included in each of the product segments are as follows:
 - Business machines:
 - Office imaging products :
 - Office network digital multifunction devices (MFDs) / Color network digital MFDs / Office copying machines / Personal-use copying machines / Full-color copying machines / etc.
 - Computer peripherals :
 - Laser beam printers / Single function 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 principal
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

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, 2004 | Three months ended September 30, 2004 | Change (%) | Three months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Business machines | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥580,012 | ¥ 551,102 | + 5.2 | \$ 5,225,333 |
| Intersegment | — | — | — | — |
| Total | <u>580,012</u> | <u>551,102</u> | <u>+ 5.2</u> | <u>5,225,333</u> |
| Operating cost and expenses | <u>440,411</u> | <u>428,405</u> | <u>+ 2.8</u> | <u>3,967,666</u> |
| Operating profit | <u>139,601</u> | <u>122,697</u> | <u>+ 13.8</u> | <u>1,257,667</u> |
| Cameras | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥164,991 | ¥ 155,755 | + 5.9 | \$ 1,486,405 |
| Intersegment | — | — | — | — |
| Total | <u>164,991</u> | <u>155,755</u> | <u>+ 5.9</u> | <u>1,486,405</u> |
| Operating cost and expenses | <u>135,221</u> | <u>117,060</u> | <u>+ 15.5</u> | <u>1,218,207</u> |
| Operating profit | <u>29,770</u> | <u>38,695</u> | <u>- 23.1</u> | <u>268,198</u> |

Optical and other products

Net sales:

| | | | | |
|------------------------|-----------------|----------|--------|-------------------|
| Unaffiliated customers | ¥ 93,301 | ¥ 60,742 | + 53.6 | \$ 840,550 |
| Intersegment | 36,857 | 35,056 | + 5.1 | 332,045 |

| | | | | |
|-------|----------------|--------|--------|------------------|
| Total | 130,158 | 95,798 | + 35.9 | 1,172,595 |
|-------|----------------|--------|--------|------------------|

| | | | | |
|-----------------------------|----------------|--------|--------|------------------|
| Operating cost and expenses | 119,929 | 98,686 | + 21.5 | 1,080,442 |
|-----------------------------|----------------|--------|--------|------------------|

| | | | | |
|------------------|---------------|---------|--|---------------|
| Operating profit | 10,229 | (2,888) | | 92,153 |
|------------------|---------------|---------|--|---------------|

Corporate and Eliminations

Net sales:

| | | | | |
|------------------------|-----------------|----------|--|------------------|
| Unaffiliated customers | ¥ | ¥ | | \$ |
| Intersegment | (36,857) | (35,056) | | (332,045) |

| | | | | |
|-------|-----------------|----------|--|------------------|
| Total | (36,857) | (35,056) | | (332,045) |
|-------|-----------------|----------|--|------------------|

| | | | | |
|-----------------------------|-----------------|---------|--|------------------|
| Operating cost and expenses | (15,556) | (2,114) | | (140,144) |
|-----------------------------|-----------------|---------|--|------------------|

| | | | | |
|------------------|-----------------|----------|--|------------------|
| Operating profit | (21,301) | (32,942) | | (191,901) |
|------------------|-----------------|----------|--|------------------|

Consolidated

Net sales:

| | | | | |
|------------------------|------------------|-----------|-------|---------------------|
| Unaffiliated customers | ¥ 838,304 | ¥ 767,599 | + 9.2 | \$ 7,552,288 |
| Intersegment | | | | |

| | | | | |
|-------|----------------|---------|-------|------------------|
| Total | 838,304 | 767,599 | + 9.2 | 7,552,288 |
|-------|----------------|---------|-------|------------------|

| | | | | |
|-----------------------------|----------------|---------|-------|------------------|
| Operating cost and expenses | 680,005 | 642,037 | + 5.9 | 6,126,171 |
|-----------------------------|----------------|---------|-------|------------------|

| | | | | |
|------------------|----------------|---------|--------|------------------|
| Operating profit | 158,299 | 125,562 | + 26.1 | 1,426,117 |
|------------------|----------------|---------|--------|------------------|

Notes: 1. Beginning first quarter of 2004, Canon has changed classification of product categories with regards to information system business, which had been classified in Optical and other products, to Business machines (Office imaging products) in order to better reflect current relation with those products. Accordingly, information for previous fiscal years has been reclassified to conform with the current classification.

2. General corporate expenses of JPY21,301 million (U.S.\$191,901 thousand) and JPY32,961 million in the three months ended September 30, 2004 and 2003, respectively, are included in Corporate and Eliminations. For the three months ended September 30, 2004, a gain of JPY13,769 million (U.S.\$124,045 thousand) is also included, which relates to the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities.

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, 2004 | Nine months ended September 30, 2003 | Change (%) | Nine months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | | (Unaudited) |
| Business machines | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥1,722,273 | ¥ 1,685,613 | + 2.2 | \$ 15,515,973 |
| Intersegment | — | — | — | — |
| Total | <u>1,722,273</u> | <u>1,685,613</u> | <u>+ 2.2</u> | <u>15,515,973</u> |
| Operating cost and expenses | <u>1,333,911</u> | <u>1,326,472</u> | <u>+ 0.6</u> | <u>12,017,216</u> |
| Operating profit | <u>388,362</u> | <u>359,141</u> | <u>+ 8.1</u> | <u>3,498,757</u> |
| Cameras | | | | |
| Net sales: | | | | |
| Unaffiliated customers | ¥ 512,324 | ¥ 439,556 | + 16.6 | \$ 4,615,532 |
| Intersegment | — | — | — | — |
| Total | <u>512,324</u> | <u>439,556</u> | <u>+ 16.6</u> | <u>4,615,532</u> |
| Operating cost and expenses | <u>421,123</u> | <u>351,067</u> | <u>+ 20.0</u> | <u>3,793,901</u> |
| Operating profit | <u>91,201</u> | <u>88,489</u> | <u>+ 3.1</u> | <u>821,631</u> |

Optical and other products

Net sales:

| | | | | |
|------------------------|-----------|-----------|--------|--------------|
| Unaffiliated customers | ¥ 252,127 | ¥ 178,018 | + 41.6 | \$ 2,271,414 |
| Intersegment | 102,413 | 104,110 | - 1.6 | 922,640 |

| | | | | |
|-------|---------|---------|--------|-----------|
| Total | 354,540 | 282,128 | + 25.7 | 3,194,054 |
|-------|---------|---------|--------|-----------|

| | | | | |
|-----------------------------|---------|---------|--------|-----------|
| Operating cost and expenses | 329,152 | 285,192 | + 15.4 | 2,965,333 |
|-----------------------------|---------|---------|--------|-----------|

| | | | | |
|------------------|--------|---------|--|---------|
| Operating profit | 25,388 | (3,064) | | 228,721 |
|------------------|--------|---------|--|---------|

Corporate and Eliminations

Net sales:

| | | | | |
|------------------------|-----------|-----------|--|-----------|
| Unaffiliated customers | ¥ | ¥ | | \$ |
| Intersegment | (102,413) | (104,110) | | (922,640) |

| | | | | |
|-------|-----------|-----------|--|-----------|
| Total | (102,413) | (104,110) | | (922,640) |
|-------|-----------|-----------|--|-----------|

| | | | | |
|-----------------------------|---------|---------|--|----------|
| Operating cost and expenses | (9,137) | (1,080) | | (82,315) |
|-----------------------------|---------|---------|--|----------|

| | | | | |
|------------------|----------|-----------|--|-----------|
| Operating profit | (93,276) | (103,030) | | (840,325) |
|------------------|----------|-----------|--|-----------|

Consolidated

Net sales:

| | | | | |
|------------------------|------------|-------------|-------|---------------|
| Unaffiliated customers | ¥2,486,724 | ¥ 2,303,187 | + 8.0 | \$ 22,402,919 |
| Intersegment | | | | |

| | | | | |
|-------|-----------|-----------|-------|------------|
| Total | 2,486,724 | 2,303,187 | + 8.0 | 22,402,919 |
|-------|-----------|-----------|-------|------------|

| | | | | |
|-----------------------------|-----------|-----------|-------|------------|
| Operating cost and expenses | 2,075,049 | 1,961,651 | + 5.8 | 18,694,135 |
|-----------------------------|-----------|-----------|-------|------------|

| | | | | |
|------------------|---------|---------|--------|-----------|
| Operating profit | 411,675 | 341,536 | + 20.5 | 3,708,784 |
|------------------|---------|---------|--------|-----------|

Notes: 1. Beginning first quarter of 2004, Canon has changed classification of product categories with regards to information system business, which had been classified in Optical and other products, to Business machines (Office imaging products) in order to better reflect current relation with those products. Accordingly, information for previous fiscal years has been reclassified to conform with the current classification.

2. General corporate expenses of JPY93,346 million (U.S.\$840,955 thousand) and JPY103,069 million in the nine months ended September 30, 2004 and 2003, respectively, are included in Corporate and Eliminations. For the nine months ended September 30, 2004, a gain of JPY13,769 million (U.S.\$124,045 thousand) is also included, which relates to the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities.

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

4. CONSOLIDATED BALANCE SHEETS

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------------------------|----------------------------------|------------|-----------------------------------|
| | As of September 30, 2004 | As of December 31, 2003 | Change | As of September 30, 2004 |
| | (Unaudited) | | | (Unaudited) |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | ¥ 812,745 | ¥ 690,298 | ¥122,447 | \$ 7,322,027 |
| Marketable securities | 1,407 | 1,324 | 83 | 12,676 |
| Trade receivables | 544,051 | 539,006 | 5,045 | 4,901,360 |
| Inventories | 537,733 | 444,244 | 93,489 | 4,844,441 |
| Prepaid expenses and other current assets | 255,124 | 255,905 | (781) | 2,298,415 |
| Total current assets | 2,151,060 | 1,930,777 | 220,283 | 19,378,919 |
| Noncurrent receivables | 14,837 | 16,543 | (1,706) | 133,667 |
| Investments | 70,115 | 78,912 | (8,797) | 631,667 |
| Property, plant and equipment, net | 933,640 | 846,433 | 87,207 | 8,411,171 |
| Other assets | 280,652 | 309,483 | (28,831) | 2,528,396 |
| Total assets | ¥3,450,304 | ¥ 3,182,148 | ¥268,156 | \$ 31,083,820 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term loans | ¥ 21,089 | ¥ 39,136 | ¥ (18,047) | \$ 189,991 |
| Trade payables | 489,698 | 391,181 | 98,517 | 4,411,694 |
| Income taxes | 70,768 | 83,064 | (12,296) | 637,550 |
| Accrued expenses | 209,676 | 193,657 | 16,019 | 1,888,973 |
| Other current liabilities | 121,312 | 120,265 | 1,047 | 1,092,900 |
| Total current liabilities | 912,543 | 827,303 | 85,240 | 8,221,108 |
| Long-term debt, excluding current installments | 29,161 | 59,260 | (30,099) | 262,712 |
| Accrued pension and severance cost | 154,291 | 238,001 | (83,710) | 1,390,009 |
| Other noncurrent liabilities | 40,088 | 30,843 | 9,245 | 361,153 |

| | | | | |
|---|-------------------|--------------------|-----------------|----------------------|
| Total liabilities | <u>1,136,083</u> | <u>1,155,407</u> | <u>(19,324)</u> | <u>10,234,982</u> |
| Minority interests | 175,254 | 161,196 | 14,058 | 1,578,865 |
| Stockholders' equity: | | | | |
| Common stock | 173,855 | 168,892 | 4,963 | 1,566,261 |
| Additional paid-in capital | 401,764 | 396,939 | 4,825 | 3,619,496 |
| Retained earnings | 1,660,046 | 1,450,440 | 209,606 | 14,955,369 |
| Accumulated other comprehensive income (loss) | (91,491) | (143,275) | 51,784 | (824,243) |
| Treasury stock | (5,207) | (7,451) | 2,244 | (46,910) |
| Total stockholders' equity | <u>2,138,967</u> | <u>1,865,545</u> | <u>273,422</u> | <u>19,269,973</u> |
| Total liabilities and stockholders' equity | <u>¥3,450,304</u> | <u>¥ 3,182,148</u> | <u>¥268,156</u> | <u>\$ 31,083,820</u> |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------------------|----------------------------------|--------------------------------|
| | As of September 30, 2004 | As of December 31, 2003 | As of September 30, 2004 |
| | (Unaudited) | | (Unaudited) |
| Allowance for doubtful receivables | ¥ 13,316 | ¥ 14,423 | \$ 119,964 |
| Accumulated depreciation | 1,170,241 | 1,118,183 | 10,542,712 |
| Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (65,614) | (83,801) | (591,117) |
| Net unrealized gains (losses) on securities | 5,088 | 6,784 | 45,838 |
| Minimum pension liability adjustments | (30,025) | (65,961) | (270,496) |
| Net gains (losses) on derivative financial instruments | (940) | (297) | (8,468) |

- 10 -

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, 2004 | Nine months ended September 30, 2003 | Nine months ended September 30, 2004 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Cash flows from operating activities: | | | |
| Net income | ¥ 262,556 | ¥ 200,772 | \$ 2,365,369 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 137,126 | 131,068 | 1,235,369 |
| Loss on disposal of property, plant and equipment | 7,974 | 8,796 | 71,838 |
| Deferred income taxes | 13,241 | (5,510) | 119,288 |
| Decrease in trade receivables | 7,617 | 17,875 | 68,622 |
| Increase in inventories | (83,678) | (64,613) | (753,856) |
| Increase in trade payables | 92,632 | 20,897 | 834,523 |
| Decrease in income taxes | (12,984) | (10,927) | (116,973) |
| Increase in accrued expenses | 9,028 | 27,422 | 81,333 |
| Increase (decrease) in accrued pension and severance cost | (14,606) | 17,606 | (131,586) |
| Other, net | (31,614) | (16,944) | (284,810) |
| Net cash provided by operating activities | 387,292 | 326,442 | 3,489,117 |
| Cash flows from investing activities: | | | |
| Capital expenditure | (219,540) | (150,119) | (1,977,838) |
| Proceeds from sale of property, plant and equipment | 4,397 | 6,175 | 39,613 |
| Payment for purchase of available-for-sale securities | (98) | (714) | (883) |
| Proceeds from sale of available-for-sale securities | 9,733 | 6,959 | 87,685 |
| Payment for purchase of other investments | (707) | (24,310) | (6,369) |
| Other | 31,110 | 2,092 | 280,270 |
| Net cash used in investing activities | (175,105) | (159,917) | (1,577,522) |
| Cash flows from financing activities: | | | |
| Proceeds from long-term debt | 635 | 3,344 | 5,721 |
| Repayment of long-term debt | (32,079) | (30,182) | (289,000) |

Edgar Filing: CANON INC - Form 6-K

| | | | |
|--|------------------|-----------|---------------------|
| Decrease in short-term loans | (1,535) | (35,906) | (13,829) |
| Dividends paid | (52,950) | (28,538) | (477,027) |
| Other | (4,848) | (2,893) | (43,676) |
| | <hr/> | <hr/> | <hr/> |
| Net cash used in financing activities | (90,777) | (94,175) | (817,811) |
| Effect of exchange rate changes on cash and cash equivalents | 1,037 | (8,399) | 9,342 |
| | <hr/> | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 122,447 | 63,951 | 1,103,126 |
| Cash and cash equivalents at beginning of period | 690,298 | 521,271 | 6,218,901 |
| | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents at end of period | ¥ 812,745 | ¥ 585,222 | \$ 7,322,027 |
| | <hr/> | <hr/> | <hr/> |

-11-

Table of Contents

CANON INC. AND SUBSIDIARIES

CONSOLIDATED

6. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) NUMBER OF GROUP COMPANIES

| | September 30, 2004 | December 31, 2003 | Change |
|--------------|-------------------------------|------------------------------|---------------|
| | <hr/> | <hr/> | <hr/> |
| Subsidiaries | 196 | 198 | (2) |
| Affiliates | 17 | 19 | (2) |
| | <hr/> | <hr/> | <hr/> |
| Total | 213 | 217 | (4) |
| | <hr/> | <hr/> | <hr/> |

CHANGES IN GROUP OF ENTITIES

Subsidiaries

Addition: 7 Companies

Removal: 9 Companies

Affiliates (Carried at Equity Basis)

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 Ernst & Young ShinNihon to complete a review of the consolidated financial statements as of and for nine months ended September 30, 2004, in accordance with Statement of Auditing Standards No.100, Interim Financial Information, established by the American Institute of Certified Public Accountants.

1. Employee Retirement and Severance Benefits

Canon has been adopting Statement of Financial Accounting Standards No.87, Employer's Accounting for Pensions. The Company and certain of its domestic subsidiaries obtained approvals from government for the exemption for the return of past benefits obligation through July 2004, and transferred the substitutional portion of the benefits obligations related to past service and the related portion of the plan assets of Employees Pension Funds to the

government. The Company and certain of its domestic subsidiaries recognized a gain of JPY13,769 million (U.S.\$124,045 thousand) in selling, general and administrative expenses for the year ended September 30, 2004.

Table of Contents

CONSOLIDATED FINANCIAL RESULTS FOR
THE THIRD QUARTER ENDED SEPTEMBER 30, 2004

SUPPLEMENTARY REPORT

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| 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 2004/Projection) | S4 |
| 7. PROFITABILITY | S4 |
| 8. IMPACT OF FOREIGN EXCHANGE RATES | S4 |
| 9. STATEMENTS OF 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 document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as anticipate, believe, estimate, expect, intend, may, or should and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this document. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.

Table of Contents

Canon Inc.

1. SALES BY REGION AND PRODUCT

| | (Millions of yen) | | | | | | | | |
|-------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|-----------------------|----------------|--------------|
| | 2004 | | | 2003 | | | Change year over year | | |
| | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) | | | | | | |
| Japan | | | | | | | | | |
| Business machines | 138,521 | 172,369 | 602,600 | 134,054 | 163,297 | 587,807 | +3.3% | +5.6% | +2.5% |
| Office imaging products | 82,520 | 88,649 | 338,000 | 75,370 | 83,232 | 316,156 | +9.5% | +6.5% | +6.9% |
| Computer peripherals | 35,551 | 61,411 | 178,300 | 35,426 | 59,083 | 175,680 | +0.4% | +3.9% | +1.5% |
| Business information products | 20,450 | 22,309 | 86,300 | 23,258 | 20,982 | 95,971 | -12.1% | +6.3% | -10.1% |
| Cameras | 29,168 | 44,286 | 132,300 | 28,376 | 36,869 | 112,027 | +2.8% | +20.1% | +18.1% |
| Optical and other products | 28,415 | 31,779 | 123,400 | 27,098 | 27,787 | 101,566 | +4.9% | +14.4% | +21.5% |
| Total | 196,104 | 248,434 | 858,300 | 189,528 | 227,953 | 801,400 | +3.5% | +9.0% | +7.1% |
| Overseas | | | | | | | | | |
| Business machines | 441,491 | 468,358 | 1,760,400 | 417,048 | 445,890 | 1,706,993 | +5.9% | +5.0% | +3.1% |
| Office imaging products | 183,070 | 204,813 | 775,300 | 183,683 | 200,534 | 765,839 | -0.3% | +2.1% | +1.2% |
| Computer peripherals | 251,692 | 254,874 | 955,900 | 226,404 | 237,137 | 913,632 | +11.2% | +7.5% | +4.6% |
| Business information products | 6,729 | 8,671 | 29,200 | 6,961 | 8,219 | 27,522 | -3.3% | +5.5% | +6.1% |

Edgar Filing: CANON INC - Form 6-K

| | | | | | | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cameras | 135,823 | 218,390 | 642,700 | 127,379 | 177,115 | 541,513 | +6.6% | +23.3% | +18.7% |
| Optical and other products | 64,886 | 48,094 | 208,600 | 33,644 | 43,927 | 148,166 | +92.9% | +9.5% | +40.8% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 642,200 | 734,842 | 2,611,700 | 578,071 | 666,932 | 2,396,672 | +11.1% | +10.2% | +9.0% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Americas | | | | | | | | | |
| Business machines | 190,549 | 189,455 | 745,700 | 189,818 | 191,464 | 771,983 | +0.4% | -1.0% | -3.4% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Office imaging products | 85,051 | 88,580 | 349,600 | 92,592 | 93,509 | 369,795 | -8.1% | -5.3% | -5.5% |
| Computer peripherals | 102,008 | 96,654 | 381,700 | 93,774 | 94,085 | 388,022 | +8.8% | +2.7% | -1.6% |
| Business information products | 3,490 | 4,221 | 14,400 | 3,452 | 3,870 | 14,166 | +1.1% | +9.1% | +1.7% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cameras | 53,515 | 95,408 | 263,100 | 55,203 | 84,686 | 245,019 | -3.1% | +12.7% | +7.4% |
| Optical and other products | 10,057 | 7,835 | 32,900 | 6,478 | 6,429 | 28,164 | +55.2% | +21.9% | +16.8% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 254,121 | 292,698 | 1,041,700 | 251,499 | 282,579 | 1,045,166 | +1.0% | +3.6% | -0.3% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Europe | | | | | | | | | |
| Business machines | 191,143 | 219,491 | 786,200 | 168,229 | 202,931 | 724,227 | +13.6% | +8.2% | +8.6% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Office imaging products | 77,717 | 98,146 | 348,000 | 71,383 | 90,327 | 325,905 | +8.9% | +8.7% | +6.8% |
| Computer peripherals | 110,845 | 117,663 | 426,200 | 94,046 | 108,882 | 387,662 | +17.9% | +8.1% | +9.9% |
| Business information products | 2,581 | 3,682 | 12,000 | 2,800 | 3,722 | 10,660 | -7.8% | -1.1% | +12.6% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cameras | 58,684 | 92,254 | 280,100 | 51,881 | 68,254 | 219,219 | +13.1% | +35.2% | +27.8% |
| Optical and other products | 5,017 | 6,944 | 22,800 | 6,090 | 7,138 | 25,596 | -17.6% | -2.7% | -10.9% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 254,844 | 318,689 | 1,089,100 | 226,200 | 278,323 | 969,042 | +12.7% | +14.5% | +12.4% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Edgar Filing: CANON INC - Form 6-K

| | | | | | | | | | |
|--------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|---------------|---------------|---------------|
| Other areas | | | | | | | | | |
| Business machines | 59,799 | 59,412 | 228,500 | 59,001 | 51,495 | 210,783 | +1.4% | +15.4% | +8.4% |
| Office imaging products | 20,302 | 18,087 | 77,700 | 19,708 | 16,698 | 70,139 | +3.0% | +8.3% | +10.8% |
| Computer peripherals | 38,839 | 40,557 | 148,000 | 38,584 | 34,170 | 137,948 | +0.7% | +18.7% | +7.3% |
| Business information products | 658 | 768 | 2,800 | 709 | 627 | 2,696 | -7.2% | +22.5% | +3.9% |
| Cameras | 23,624 | 30,728 | 99,500 | 20,295 | 24,175 | 77,275 | +16.4% | +27.1% | +28.8% |
| Optical and other products | 49,812 | 33,315 | 152,900 | 21,076 | 30,360 | 94,406 | +136.3% | +9.7% | +62.0% |
| Total | 133,235 | 123,455 | 480,900 | 100,372 | 106,030 | 382,464 | +32.7% | +16.4% | +25.7% |
| Total Business machines | 580,012 | 640,727 | 2,363,000 | 551,102 | 609,187 | 2,294,800 | +5.2% | +5.2% | +3.0% |
| Office imaging products | 265,590 | 293,462 | 1,113,300 | 259,053 | 283,766 | 1,081,995 | +2.5% | +3.4% | +2.9% |
| Computer peripherals | 287,243 | 316,285 | 1,134,200 | 261,830 | 296,220 | 1,089,312 | +9.7% | +6.8% | +4.1% |
| Business information products | 27,179 | 30,980 | 115,500 | 30,219 | 29,201 | 123,493 | -10.1% | +6.1% | -6.5% |
| Cameras | 164,991 | 262,676 | 775,000 | 155,755 | 213,984 | 653,540 | +5.9% | +22.8% | +18.6% |
| Optical and other products | 93,301 | 79,873 | 332,000 | 60,742 | 71,714 | 249,732 | +53.6% | +11.4% | +32.9% |
| Total | 838,304 | 983,276 | 3,470,000 | 767,599 | 894,885 | 3,198,072 | +9.2% | +9.9% | +8.5% |

(P)=Projection

(Note)

Edgar Filing: CANON INC - Form 6-K

From the 1st quarter of 2004, Canon changed the classification of product categories with regard to its information system business, which had been classified in Optical and other products , to Business machines (Office imaging products) in order to better reflect current relation with those products. Accordingly, information for the year 2003 has been reclassified to conform with the current classification.

- S1 -

Table of Contents

Canon Inc.

2. SEGMENT INFORMATION BY PRODUCT

(Millions of yen)

| | 2004 | | | 2003 | | | 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 | 580,012 | 640,727 | 2,363,000 | 551,102 | 609,187 | 2,294,800 | +5.2% | +5.2% | +3.0% |
| Intersegment | — | — | — | — | — | — | — | — | — |
| Total sales | 580,012 | 640,727 | 2,363,000 | 551,102 | 609,187 | 2,294,800 | +5.2% | +5.2% | +3.0% |
| Operating profit | 139,601 | 135,938 | 524,300 | 122,697 | 126,424 | 485,565 | +13.8% | +7.5% | +8.0% |
| % of sales | 24.1% | 21.2% | 22.2% | 22.3% | 20.8% | 21.2% | | | |
| Cameras | | | | | | | | | |
| Unaffiliated customers | 164,991 | 262,676 | 775,000 | 155,755 | 213,984 | 653,540 | +5.9% | +22.8% | +18.6% |
| Intersegment | — | — | — | — | — | — | — | — | — |
| Total sales | 164,991 | 262,676 | 775,000 | 155,755 | 213,984 | 653,540 | +5.9% | +22.8% | +18.6% |
| Operating profit | 29,770 | 45,999 | 137,200 | 38,695 | 37,829 | 126,318 | -23.1% | +21.6% | +8.6% |
| % of sales | 18.0% | 17.5% | 17.7% | 24.8% | 17.7% | 19.3% | | | |
| Optical and other products | | | | | | | | | |
| Unaffiliated customers | 93,301 | 79,873 | 332,000 | 60,742 | 71,714 | 249,732 | +53.6% | +11.4% | +32.9% |
| Intersegment | 36,857 | 33,987 | 136,400 | 35,056 | 28,279 | 132,389 | +5.1% | +20.2% | +3.0% |

| | | | | | | | | | |
|-------------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|---------------|---------------|---------------|
| Total sales | <u>130,158</u> | <u>113,860</u> | <u>468,400</u> | <u>95,798</u> | <u>99,993</u> | <u>382,121</u> | <u>+35.9%</u> | <u>+13.9%</u> | <u>+22.6%</u> |
| Operating profit | <u>10,229</u> | <u>-2,688</u> | <u>22,700</u> | <u>-2,888</u> | <u>-6,819</u> | <u>-9,883</u> | | | |
| % of sales | <u>7.9%</u> | <u>-2.4%</u> | <u>4.8%</u> | <u>-3.0%</u> | <u>-6.8%</u> | <u>-2.6%</u> | | | |
| Corporate and Eliminations | | | | | | | | | |
| Unaffiliated customers Intersegment | <u>-36,857</u> | <u>-33,987</u> | <u>-136,400</u> | <u>-35,056</u> | <u>-28,279</u> | <u>-132,389</u> | | | |
| Total sales | <u>-36,857</u> | <u>-33,987</u> | <u>-136,400</u> | <u>-35,056</u> | <u>-28,279</u> | <u>-132,389</u> | | | |
| Operating profit | <u>-21,301</u> | <u>-55,924</u> | <u>-149,200</u> | <u>-32,942</u> | <u>-44,546</u> | <u>-147,576</u> | | | |
| Consolidated | | | | | | | | | |
| Unaffiliated customers Intersegment | <u>838,304</u> | <u>983,276</u> | <u>3,470,000</u> | <u>767,599</u> | <u>894,885</u> | <u>3,198,072</u> | <u>+9.2%</u> | <u>+9.9%</u> | <u>+8.5%</u> |
| Total sales | <u>838,304</u> | <u>983,276</u> | <u>3,470,000</u> | <u>767,599</u> | <u>894,885</u> | <u>3,198,072</u> | <u>+9.2%</u> | <u>+9.9%</u> | <u>+8.5%</u> |
| Operating profit | <u>158,299</u> | <u>123,325</u> | <u>535,000</u> | <u>125,562</u> | <u>112,888</u> | <u>454,424</u> | <u>+26.1%</u> | <u>+9.2%</u> | <u>+17.7%</u> |
| % of sales | <u>18.9%</u> | <u>12.5%</u> | <u>15.4%</u> | <u>16.4%</u> | <u>12.6%</u> | <u>14.2%</u> | | | |

(P)=Projection

3. OTHER INCOME / DEDUCTIONS

(Millions of yen)

| 2004 | | 2003 | | | Change year over year | | | |
|-------------|-------------|------|-------------|-------------|-----------------------|-------------|-------------|------|
| 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |

Edgar Filing: CANON INC - Form 6-K

| | | (P) | (P) | | | | | | |
|--|--------------|--------------|---------------|---------------|--------------|---------------|----------------|-------------|----------------|
| Interest & dividend, net | 1,152 | 1,059 | 3,800 | 1,072 | 1,605 | 4,657 | +80 | -546 | -857 |
| Forex gain / loss | -1,200 | -5,440 | -11,800 | -14,545 | -3,000 | -20,311 | +13,345 | -2,440 | +8,511 |
| Equity earnings / loss of affiliated companies | 23 | 286 | 1,100 | 375 | 545 | -1,124 | -352 | -259 | +2,224 |
| Others, net | 4,355 | 6,167 | 19,900 | 4,872 | 3,290 | 10,524 | -517 | +2,877 | +9,376 |
| | <u>4,330</u> | <u>2,072</u> | <u>13,000</u> | <u>-8,226</u> | <u>2,440</u> | <u>-6,254</u> | <u>+12,556</u> | <u>-368</u> | <u>+19,254</u> |
| Total | <u>4,330</u> | <u>2,072</u> | <u>13,000</u> | <u>-8,226</u> | <u>2,440</u> | <u>-6,254</u> | <u>+12,556</u> | <u>-368</u> | <u>+19,254</u> |

(P)=Projection

(Note)

From the 1st quarter of 2004, Canon changed the classification of product categories with regard to its information system business, which had been classified in Optical and other products, to Business machines (Office imaging products) in order to better reflect current relation with those products. Accordingly, information for the year 2003 has been reclassified to conform with the current classification.

- S2 -

Table of Contents

Canon Inc.

4. SALES COMPOSITION BY PRODUCT

| | 2004 | | | 2003 | | |
|--|----------------|----------------|------|----------------|----------------|------|
| | 3rd quarter | 4th quarter | Year | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) | | | |
| Office imaging products | | | | | | |
| Monochrome copying machines | 61% | 60% | 62% | 66% | 64% | 67% |
| Digital* | 95% | | | 94% | 94% | 93% |
| Analog* | 5% | | | 6% | 6% | 7% |
| Color copying machines | 25% | 26% | 24% | 20% | 22% | 20% |
| Others | 14% | 14% | 14% | 14% | 14% | 13% |
| Computer peripherals | | | | | | |
| Laser beam printers | 75% | 67% | 71% | 72% | 65% | 70% |
| Inkjet printers (includes inkjet MFPs) | 23% | 31% | 27% | 26% | 32% | 27% |
| Others | 2% | 2% | 2% | 2% | 3% | 3% |
| Business information products | | | | | | |
| Personal computers | 74% | 71% | 74% | 77% | 73% | 76% |
| Others | 26% | 29% | 26% | 23% | 27% | 24% |
| Cameras | | | | | | |
| Film cameras / Lenses | 16% | 13% | 15% | 22% | 18% | 21% |
| Digital cameras | 68% | 72% | 69% | 60% | 65% | 61% |
| Video camcorders | 16% | 15% | 16% | 18% | 17% | 18% |
| Optical and other products | | | | | | |
| Semiconductor production equipment | 70% | 60% | 65% | 53% | 56% | 54% |
| Others | 30% | 40% | 35% | 47% | 44% | 46% |

(P)=Projection

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

5. SALES GROWTH IN LOCAL CURRENCY

| | 2004 | | |
|--------------------------|----------------|----------------|--------|
| | 3rd quarter | 4th quarter | Year |
| | | (P) | (P) |
| Business machines | | | |
| Japan | + 3.3% | + 5.6% | + 2.5% |
| Overseas | + 9.9% | + 4.9% | + 6.6% |
| Total | + 8.3% | + 5.1% | + 5.6% |

| | | | |
|-----------------------------------|--------|---------|--------|
| | — | — | — |
| Cameras | | | |
| Japan | + 2.8% | + 20.1% | +18.1% |
| Overseas | + 9.5% | + 22.9% | +21.5% |
| | — | — | — |
| Total | + 8.3% | + 22.4% | +20.9% |
| | — | — | — |
| Optical and other products | | | |
| Japan | + 4.9% | + 14.4% | +21.5% |
| Overseas | +99.1% | + 9.4% | +44.6% |
| | — | — | — |
| Total | +57.1% | + 11.3% | +35.2% |
| | — | — | — |
| Total | | | |
| Japan | + 3.5% | + 9.0% | + 7.1% |
| Overseas | +15.0% | + 10.0% | +12.3% |
| Americas | + 8.0% | + 4.5% | + 6.0% |
| Europe | +12.6% | + 12.8% | +12.2% |
| Other areas | +38.1% | + 17.2% | +30.1% |
| | — | — | — |
| Total | +12.2% | + 9.7% | +11.0% |
| | — | — | — |

(P)=Projection

(Note)

From the 1st quarter of 2004, Canon changed the classification of product categories with regard to its information system business, which had been classified in **Optical and other products** , to **Business machines(Office imaging products)** in order to better reflect current relation with those products. Accordingly, information for the year 2003 has been reclassified to conform with the current classification.

Table of Contents

Canon Inc.

6. P&L SUMMARY (4th Quarter 2004/Projection)

| | (Millions of yen) | | |
|---|-------------------|-------------|-------------------|
| | 2004 | 2003 | Change |
| | 4th quarter(P) | 4th quarter | year over year |
| Net sales | 983,276 | 894,885 | +9.9% |
| Operating profit | 123,325 | 112,888 | +9.2% |
| Income before income taxes and minority interests | 125,397 | 115,328 | +8.7% |
| Net income | 76,444 | 74,958 | +2.0% |

(P)=Projection

7. PROFITABILITY

| | 2004 | | 2003 | |
|-----|-------------|---------|-------------|-------|
| | 3rd quarter | Year(P) | 3rd quarter | Year |
| ROE | 19.6% | 16.7% | 16.5% | 15.9% |
| ROA | 12.0% | 10.2% | 9.4% | 9.0% |

(P)=Projection

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

| | (Yen) | | | | | |
|----------|-------------|-------------------|---------|-------------|-------------|--------|
| | 2004 | | | 2003 | | |
| | 3rd quarter | 4th quarter(P) | Year(P) | 3rd quarter | 4th quarter | Year |
| Yen/US\$ | 109.97 | 108.00 | 108.76 | 117.54 | 108.92 | 115.61 |
| Yen/Euro | 134.37 | 132.00 | 133.08 | 132.07 | 129.47 | 131.02 |

(P)=Projection

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

| | (Billions of yen) | | |
|------------------|-------------------|-------------------|-------------------|
| | 2004 | | |
| | 3rd quarter | 4th quarter(P) | Year(P) |
| US\$ | -18.9 | -3.2 | -76.0 |
| Euro | + 3.3 | +5.0 | +13.6 |
| Other currencies | - 1.0 | -0.2 | - 0.5 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>-16.6</u> | <u>+1.6</u> | <u>-62.9</u> |

(P)=Projection

(3) Impact of foreign exchange rates per yen

| | (Billions of yen) |
|---------------------|------------------------|
| | 2004 4th quarter(P) |
| On sales | |
| US\$ | 3.4 |
| Euro | 2.0 |
| On operating profit | |
| US\$ | 1.7 |
| Euro | 1.5 |

(P)=Projection

9. STATEMENTS OF CASH FLOWS

| | (Millions of yen) | | | |
|---|-------------------|---------|-------------|---------|
| | 2004 | | 2003 | |
| | 3rd quarter | Year(P) | 3rd quarter | Year |
| Net cash provided by operating activities | | | | |
| Net income | 101,780 | 339,000 | 73,005 | 275,730 |
| Depreciation and amortization | 49,746 | 186,000 | 45,974 | 183,604 |
| Other, net | - 62,061 | 25,000 | - 20,837 | 6,315 |

Edgar Filing: CANON INC - Form 6-K

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 89,465 | 550,000 | 98,142 | 465,649 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash used in investing activities | - 65,185 | -290,000 | - 48,589 | -199,948 |
| Free cash flow | 24,280 | 260,000 | 49,553 | 265,701 |
| Net cash provided by (used in) financing activities | - 26,451 | - 99,400 | - 47,487 | -102,039 |
| Effect of exchange rate changes on cash & cash equivalents | 3,695 | - 15,298 | - 7,974 | 5,365 |
| Net increase in cash and cash equivalents | 1,524 | 145,302 | - 5,908 | 169,027 |
| Cash and cash equivalents at end of each period | 812,745 | 835,600 | 585,222 | 690,298 |

(P)=Projection

- S4 -

Table of Contents

Canon Inc.

10. R&D EXPENDITURE

(Millions of yen)

| | 2004 | | | 2003 | | |
|----------------------------|---------------|----------------|----------------|---------------|---------------|----------------|
| | 3rd quarter | 4th quarter(P) | Year(P) | 3rd quarter | 4th quarter | Year |
| Business machines | 25,908 | | | 25,049 | 36,141 | 119,975 |
| Cameras | 8,458 | | | 7,277 | 8,882 | 31,687 |
| Optical and other products | 25,054 | | | 24,773 | 31,286 | 107,478 |
| Total | 59,420 | 83,218 | 275,000 | 57,099 | 76,309 | 259,140 |
| | | | | | | |
| % of sales | 7.1% | 8.5% | 7.9% | 7.4% | 8.5% | 8.1% |

(P)=Projection

11. CAPITAL EXPENDITURE & DEPRECIATION AND AMORTIZATION

(Millions of yen)

| | 2004 | | | 2003 | | |
|-------------------------------|-------------|----------------|---------|-------------|-------------|---------|
| | 3rd quarter | 4th quarter(P) | Year(P) | 3rd quarter | 4th quarter | Year |
| Capital expenditure | 85,784 | 80,460 | 300,000 | 40,326 | 59,919 | 210,038 |
| Depreciation and amortization | 49,746 | 48,874 | 186,000 | 45,974 | 52,536 | 183,604 |

(P)=Projection

12. INVENTORIES**(1) Inventories**

(Millions of yen)

| 2004 | 2003 |
|------|------|
|------|------|

| | <u>Sep. 30</u> | <u>Dec. 31</u> | <u>Difference</u> |
|----------------------------|-------------------|-------------------|-------------------|
| Business machines | 269,762 | 241,477 | +28,285 |
| Cameras | 123,699 | 64,043 | +59,656 |
| Optical and other products | 144,272 | 138,724 | +5,548 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>537,733</u> | <u>444,244</u> | <u>+93,489</u> |

(2) Inventories/Sales*

| | (Days) | | |
|----------------------------|-------------------|-------------------|-------------------|
| | <u>2004</u> | <u>2003</u> | |
| | <u>Sep.30</u> | <u>Dec.31</u> | <u>Difference</u> |
| Business machines | 42 | 38 | +4 |
| Cameras | 64 | 32 | +32 |
| Optical and other products | 154 | 191 | -37 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>58</u> | <u>49</u> | <u>+9</u> |

* Index based on the previous six months sales.

13. DEBT RATIO

| | <u>2004</u> | <u>2003</u> | |
|---------------------------|---------------|---------------|-------------------|
| | <u>Sep.30</u> | <u>Dec.31</u> | <u>Difference</u> |
| Total debt / Total assets | 1.5% | 3.1% | -1.6% |

14. OVERSEAS PRODUCTION RATIO

| | <u>2004</u> | <u>2003</u> |
|---------------------------|----------------------------|-------------|
| | <u>1st-3rd quarter</u> | <u>Year</u> |
| Overseas production ratio | 43% | 42% |

15. NUMBER OF EMPLOYEES

| | 2004 | 2003 | |
|----------|---------------|---------------|-------------------|
| | Sep.30 | Dec.31 | Difference |
| Japan | 46,071 | 45,380 | + 691 |
| Overseas | 62,483 | 57,187 | + 5,296 |
| | <hr/> | <hr/> | <hr/> |
| Total | 108,554 | 102,567 | + 5,987 |
| | <hr/> | <hr/> | <hr/> |

(Note)

From the 1st quarter of 2004, Canon changed the classification of product categories with regard to its information system business, which had been classified in "Optical and other products", to "Business machines(Office imaging products)" in order to better reflect current relation with those products. Accordingly, information for the year 2003 has been reclassified to conform with the current classification.

- S5 -