

CANON INC
Form 6-K
August 28, 2003

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 June 30, 2003

CANON INC.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F

Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes

No

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

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.

CANON INC.

(Registrant)

Date August 28, 2003

By /s/ Shunji Onda

(Signature)*

Shunji Onda
General Manager, Finance Division
Canon Inc.

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

The following materials are included.

1. Interim report for the 103rd business term
-

To Our Shareholders

It is a great pleasure to present our interim report for the first half of the 103rd business term, from January 1, 2003, through June 30, 2003.

Looking back at domestic and overseas economies during this half-term, the U.S. economy continued a basic tone of sluggish growth in both personal consumption and investments in plants and equipment, but began exhibiting slight signs of recovery during the latter quarter. Due to restraint in export growth under the influence of the U.S. economy, the growth rates of European economies remained nearly level. Moreover, due to the adverse influence of SARS (Severe Acute Respiratory Syndrome) and other factors, Asian economies achieved only moderate growth. On the other hand, harsh conditions prevailed in the Japanese economy, which showed no signs of a favorable shift in personal consumption or investments in plants and equipment. In the foreign exchange market, in comparison with the same period of the previous year, the yen appreciated versus the U. S. dollar and depreciated versus Euro currency.

In markets relevant to Canon, the demand for digital cameras continued to expand, but severe market conditions for digital copying machines and computer peripherals continued as price wars intensified. Regarding optical products, although the market for semiconductor production equipment remained stagnant, the market for mirror projection mask aligners for LCD panels expanded because of an increasing demand for LCD televisions and other factors.

Within this management environment, Canon entered the third year of Phase II (2001 to 2005) of the Excellent Global Corporation Plan. Based on this plan, Canon continued to work toward reforming both production and development activities. For production reforms, Canon further advanced rationalization by such means as automating production and adopting mini-FA systems, thereby successfully achieving a further reduction in product cost. Moreover, as a consequence of development reforms, Canon was

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able to release competitive products in a timely manner. In terms of sales activities as well, our business activities were able to accurately reflect market needs by reorganizing the Canon group and reinforcing closer communication among all member companies within the Canon group.

Due to these efforts, despite a sluggish global economy we consecutively sustained a favorable performance during this first half of the 103rd business term. In comparison with the same period of the previous year, total sales amounted to 946.6 billion yen (a 17.1% increase) and ordinary profit totaled 164.3 billion yen (a 75.3% increase). Partially due to the gain on exemption from the substitutional portion of the employees' pension fund (45.9 billion yen), net income was 128.8 billion yen (a 120.2% increase).

The interim dividend for the first half of the 103rd business term amounts to 15 yen per share, representing a 2.50-yen increase versus that of the same period last year. Payment of dividends to shareholders commences on August 28, 2003.

Regarding the outlook for the second half of the 103rd business term, the forecast of the global economy remains unpredictable although it will probably achieve a basic tone of moderate recovery, and the management environment of Canon is expected to remain in severe conditions. Under such circumstances, we intend to further strengthen our resolve and push forward extensive operational reforms in development, production, and sales, with the aim of increasing profitability and stabilizing performance.

We hope that you will continue to extend even greater support and encouragement in the months ahead.

August 2003

FUJIO MITARAI
President & C.E.O.

BUSINESS REPORT BY OPERATIONS

The products mentioned below may have different names in other areas.

Sales by Operations

| Operations | Sales | Increase/Decrease against the Same Period of the Previous Term |
|-----------------------------------|--------------------------------|--|
| | 100 millions of yen | % |
| Business Machines | 6,842 | 9.5 |
| Office Imaging Products | 2,358 | 3.0 |
| Computer Peripherals | 4,484 | 13.2 |
| Cameras | 2,083 | 41.9 |
| Optical and Other Products | 541 | 48.3 |
| Total | 9,466 | 17.1 |

Notes:

- From this interim period, amounts of less than 100 million are rounded off.
- From this interim period, representation of segmentation by product categories within the **Business Machines** are changed from the previous three segments of **Copying Machines**, **Computer Peripherals** and **Business Systems** to the two segments of **Office Imaging Products** and **Computer Peripherals**. In this connection, sales figures for the previous periods have been re-classified in accordance with the new segmentation.

Constitution of Sales

100 MILLIONS OF YEN

Sales by Operations

Sales by Region

Business Machines Operations

Office Imaging Products

Fierce competition continued both in Japan and overseas within the markets for digital copying machines and multifunctional machines. As for monochrome digital copying machines for office use, sales of the imageRUNNER Series sustained a steady performance and, although sales of intermediate-speed models was sluggish, the sales quantity of the low-speed iR1600 Series models rose substantially. The high-speed models, as exemplified by the iR105, earned favorable acclaim, especially in the U.S. market. Furthermore, we strove to further expand the product lineup by releasing the iR3350i Series of new-generation multifunctional machines that offer the expandability of enhanced functions and diverse solutions when optional application software is installed.

As for color digital copying machines, the iR C3200 and iR C3200N network-compatible multifunctional machines for office use equipped with Canon's original, innovative iR controller earned high acclaim in domestic and overseas markets and contributed to increased sales. Moreover, we also focused efforts on promoting the sales of the new CLC1110 and other PIXEL Series color copying machines, which target graphic design businesses and design businesses.

The market for products aimed for use at home or at small

Change in sales 100 MILLIONS OF YEN

businesses, on the other hand, showed an increasing trend in the demand for digital multifunctional machines that possess the functions of a printer and facsimile machine as well as a copying machine. The PC1255 and PC1275 multifunctional laser printers sustained steady sales, and the new Satera D350 and Satera D300 also earned wide acclaim. While the shift toward multifunctional machines thus accelerated, we also endeavored to promote the sales of single-function copying machines in the PC Series and FC Series as well as single-function facsimile machines, such as the newly released L500 laser facsimile machine.

As a result, sales in this category increased 3.0% versus the same period last year.

Computer Peripherals

The overall market for computer peripherals continued to face a harsh environment due to sluggish consumption caused by the economic slowdown in Japan and overseas, the intensification of price wars, and other factors. Amidst such circumstances, in the market for laser beam printers, we greatly increased our sales versus the same period last year due to the release of the color Satera LBP-2410 in Japan and abroad and our efforts to expand its sales, a recovery in the sales of OEM-oriented products, and so forth.

In the market for inkjet printers, on the other hand, the PIXUS Series posted favorable performance, with continued growth in the sales quantity of both the PIXUS 550i and PIXUS 850i. We also worked to enhance the product portfolio by releasing new products, including the super-compact, lightweight PIXUS 50i notebook-printer as well as the PIXUS 470PD Photo Direct model that can directly print photographs taken with a digital camera. In response to the rising domestic and overseas demand in the inkjet printer market for multifunctional machines equipped with the functions of a color printer, color copying machine, scanner, and facsimile, we released and posted favorable sales of the PIXUS MP730 and PIXUS MP700 inkjet multifunctional machines that achieve both versatile functions and high-speed printing.

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Whereas the demand for multifunctional machines rose, however, the sales of single-function inkjet facsimile machines was restrained. Despite the adverse influence of a shrinking market on the sales performance of our single-function scanners, we channeled efforts into expanding the sales of CanoScan 9900F our new flagship of ultra-photorealistic scanners that takes advantage of Canon's optical technology and of the CanoScan LiDE30 and other models in the LiDE Series.

As a result of these efforts, sales in this category increased 13.2% versus the same period last year.

Change in sales
100 MILLIONS OF YEN

Camera Operations

Within the high growth in the domestic and overseas demand for digital cameras that has also continued into this half-term, we released five new models in the PowerShot Series and two new models in the IXY DIGITAL Series into the market for compact digital cameras, all of which earned high acclaim for their easy operation and high image quality thanks to the adoption of the DIGIC imaging engine and other innovations. Consequently, our sales growth in the market for the compact digital cameras exceeded that of the overall market.

Regarding digital cameras of the single-lens reflex type, we released the EOS 10D which offers an affordable price while upholding high performance and subsequently generated a trend toward full-fledged digitalization among high-end amateur photographers as well. As for silver-halide cameras, we released the medium-grade Autoboy N115 and other models then strove to increase their sales, but sales declined due to a shrinking demand. Sales of EF exchangeable lenses steadily increased on the basis of their compatibility with single-lens reflex cameras of both digital and silver-halide types. In the market for digital video cameras, we worked to strengthen the product lineup by releasing three new models, including the FV M10 KIT in the Torebian Series, and successfully continued to expand sales.

Consequently, sales in this category increased 41.9% versus the same period last year.

Change in sales
100 MILLIONS OF YEN

Optical and Other Products Operations

While semiconductor manufacturers continued to curb new investments in view of the slump in the semiconductor market, we initiated shipments of the FPA-5000ES4 high-resolution Krf scanning stepper and other models and mainly increased sales of equipment for the increased production of CCDs (Charge-Coupled Devices) for Japanese consumption. Compared to the same period last year when the sales of semiconductor production equipment was sluggish, therefore, sales rose during the current half-term.

Regarding mirror projection mask aligners for LCD panels, on the other hand, thanks to the shift to LCD panels as display monitors for personal computers and the expanded market for LCD televisions, mirror projection mask aligners capable of handling large-format LCD panels enjoyed a lively demand and the sales of MPA-7500 continued to rise favorably. In addition, the newly released MPA-7800, which is capable of handling even larger panels (1,200 x 1,300 mm), exhibited steady sales after entering the market.

Despite a slump in the market for broadcasting equipment, we sustained steady performance by such efforts as the release of the DIGISUPER 100 xs, a broadcasting lens that achieves a zoom rate of 100x and which won high praise for its vivid and powerful images during live sports broadcasts. Moreover, in the market for medical equipment, we endeavored to increase the sales of our digital non-mydratric retinal cameras and X-ray digital cameras.

As a result, sales in this category increased 48.3% versus the same period last year.

Change in sales 100 MILLIONS OF YEN

Balance Sheets

| ASSETS | Millions of yen | |
|---|---------------------------|-----------------------|
| | As of June 30, 2003 | As of Dec 31, 2002 |
| Current Assets | 1,027,318 | 952,082 |
| Cash and deposits | 155,571 | 64,262 |
| Notes receivable | 198,821 | 213,014 |
| Accounts receivable | 344,421 | 364,357 |
| Marketable securities | 99 | 474 |
| Finished goods | 91,111 | 73,620 |
| Work in process | 105,764 | 99,614 |
| Raw materials and supplies | 3,235 | 3,069 |
| Deferred tax assets | 23,183 | 22,722 |
| Short-term loans receivable | 29,270 | 30,294 |
| Other current assets | 85,896 | 91,636 |
| Allowance for doubtful receivables | (10,053) | (10,986) |
| Fixed Assets | 896,004 | 896,054 |
| Property, Plant and Equipment | 451,556 | 440,501 |
| Buildings | 217,887 | 223,245 |
| Machinery | 84,000 | 79,019 |
| Vehicles | 193 | 218 |
| Tools and equipment | 45,721 | 43,297 |
| Land | 90,720 | 80,326 |
| Construction in progress | 13,035 | 14,393 |
| Intangibles | 22,940 | 27,668 |
| Industrial property rights | 185 | 112 |
| Facility utility rights | 485 | 501 |
| Software | 22,270 | 27,054 |
| Investments | 421,508 | 427,884 |
| Marketable securities-noncurrent | 40,934 | 33,278 |
| Investment in subsidiaries | 295,004 | 282,231 |
| Long-term loans receivable | 6,274 | 4,587 |
| Long-term pre-paid expenses | 9,569 | 10,986 |
| Deferred tax assets-noncurrent | 64,394 | 89,082 |
| Guarantees | 3,179 | 3,350 |
| Other noncurrent assets | 2,197 | 4,420 |
| Allowance for doubtful receivables-noncurrent | (43) | (52) |
| TOTAL ASSETS | 1,923,322 | 1,848,136 |

Notes:

- | | | |
|----|--|---------------------|
| 1. | From this interim period, amounts less than 1 million are rounded off. | |
| 2. | Current receivable from subsidiaries | 611,012 million yen |
| | Noncurrent receivable from subsidiaries | 6,236 million yen |
| | Current payable to subsidiaries | 216,059 million yen |
| 3. | Accumulated depreciation of property, plant and equipment | 580,732 million yen |

LIABILITIES AND STOCKHOLDERS EQUITY

| | Millions of yen | |
|--|---------------------------|-----------------------|
| | As of June 30, 2003 | As of Dec 31, 2002 |
| Current Liabilities | 455,701 | 441,106 |
| Notes payable | 14,140 | 20,698 |
| Accounts payable | 251,043 | 259,202 |
| Short-term loans | 57,652 | 53,772 |
| Other payable | 14,152 | 9,314 |
| Accrued expenses | 36,952 | 19,011 |
| Accrued income taxes | 58,280 | 62,629 |
| Deposits | 9,278 | 6,026 |
| Accrued bonuses for employees | 4,441 | 4,491 |
| Other current liabilities | 9,763 | 5,960 |
| Noncurrent Liabilities | 117,856 | 171,720 |
| Convertible debenture | 13,750 | 15,031 |
| Long-term debts | 1 | 1 |
| Accrued pension and severance cost | 104,105 | 156,687 |
| TOTAL LIABILITIES | 573,557 | 612,827 |
| Common Stock | 167,883 | 167,242 |
| Capital Surplus | 299,419 | 298,778 |
| Additional paid-in capital | 299,419 | 298,778 |
| Retained Earnings | 887,562 | 774,287 |
| Legal reserve | 22,114 | 22,114 |
| Reserve for special depreciation | 3,896 | 3,753 |
| Reserve for deferral of capital gain on property | 10 | 13 |
| Special reserves | 719,428 | 604,028 |
| Unappropriated retained earnings | 142,114 | 144,379 |
| Net Unrealized Gains (Losses) on Securities | 1,624 | 1,162 |
| Treasury Stock | (6,723) | (6,162) |
| TOTAL STOCKHOLDERS EQUITY | 1,349,765 | 1,235,309 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | 1,923,322 | 1,848,136 |

| | | |
|----|--------------------------------|--------------------|
| 4. | Contingent liabilities | |
| | Guarantees | 55,671 million yen |
| | Letter of awareness and others | 1,219 million yen |

Income Statements

| | Millions of yen | |
|--|---|-----------------------------------|
| | Six months ended June 30, 2003 | Six months ended June 30, 2002 |
| OPERATING PROFIT AND LOSS | | |
| Operating Revenue | 946,551 | 808,357 |
| Net sales | 946,551 | 808,357 |
| Operating Expenses | 792,160 | 718,506 |
| Cost of sales | 569,687 | 525,023 |
| Selling, general and administrative expenses | 222,473 | 193,482 |
| OPERATING PROFIT | 154,391 | 89,851 |
| OTHER INCOME AND EXPENSE | | |
| Other Income | 25,048 | 27,141 |
| Interest income | 258 | 298 |
| Dividend income | 3,685 | 8,313 |
| Rental income | 4,521 | 3,597 |
| Patent royalties | 10,638 | 9,320 |
| Miscellaneous income | 5,946 | 5,611 |
| Other Expense | 15,146 | 23,294 |
| Interest expense | 129 | 124 |
| Discount charge for export bills | 4 | 28 |
| Depreciation of rental assets | 4,017 | 3,170 |
| Loss on disposal and write-off of inventories | 5,071 | 2,953 |
| Foreign exchange loss | 3,592 | 14,082 |
| Miscellaneous loss | 2,333 | 2,934 |
| ORDINARY PROFIT | 164,293 | 93,698 |
| NON-ORDINARY INCOME AND LOSS | | |
| Non-Ordinary Income | 46,414 | 375 |
| Gain on sales of fixed assets | 7 | 375 |
| Gain on sales of investments in subsidiaries | 527 | |
| Gain on exemption from the substitutional portion of the employees' pension fund | 45,880 | |
| Non-Ordinary Loss | 2,588 | 3,521 |
| Loss on sales and disposal of fixed assets | 2,588 | 1,818 |
| Loss on write-off of investments in subsidiaries | | 1,703 |
| INCOME BEFORE INCOME TAXES | 208,119 | 90,551 |
| Income taxes - Current | 59,199 | 32,782 |
| Income taxes - Deferred | 20,145 | (709) |
| NET INCOME | 128,775 | 58,478 |
| Unappropriated retained earnings brought forward from previous term | 13,340 | 11,154 |
| Loss on sales of treasury stock | 1 | |
| UNAPPROPRIATED RETAINED EARNINGS | 142,114 | 69,633 |

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Notes:

1. From this interim period, amounts less than 1 million are rounded off.
2. Transactions with subsidiaries:
 - Sales 916,107 million yen
 - Purchase 519,870 million yen
 - Other transaction 21,353 million yen
3. Net income per share 146.69 yen

Change in Sales
100 MILLIONS OF YEN

Change in Ordinary Profit
100 MILLIONS OF YEN

Change in Net Income
100 MILLIONS OF YEN

CONSOLIDATED RESULTS

Canon's consolidated financial statements conform with accounting principles generally accepted in the United States of America.

Consolidated Balance Sheets

ASSETS

| | Millions of yen | |
|---|---------------------------------------|-------------------------------------|
| | As of June 30, 2003 (Unaudited) | As of Dec. 31, 2002 (Audited) |
| Current assets: | | |
| Cash and cash equivalents | 591,130 | 521,271 |
| Marketable securities | 1,414 | 7,255 |
| Trade receivables, less allowance | 497,195 | 498,587 |
| Inventories | 475,914 | 432,251 |
| Prepaid expenses and other current assets | 266,505 | 245,610 |
| Total current assets | 1,832,158 | 1,704,974 |
| Noncurrent receivables | 17,089 | 20,568 |
| Investments | 66,117 | 64,037 |
| Net property, plant and equipment | 855,176 | 830,304 |
| Other assets | 349,548 | 322,823 |
| Total Assets | 3,120,088 | 2,942,706 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | Millions of yen | |
|--|---------------------------------------|-------------------------------------|
| | As of June 30, 2003 (Unaudited) | As of Dec. 31, 2002 (Audited) |
| Current liabilities: | | |
| Short-term loans | 59,428 | 66,754 |
| Trade payables | 419,687 | 408,464 |
| Income taxes | 76,153 | 80,169 |
| Accrued expenses | 173,417 | 154,621 |
| Other current liabilities | 99,310 | 91,832 |
| Total current liabilities | 827,995 | 801,840 |
| Long-term debt, excluding current installments | 86,188 | 81,349 |
| Accrued pension and severance cost | 271,805 | 285,129 |
| Other noncurrent liabilities | 30,735 | 26,193 |
| Total Liabilities | 1,216,723 | 1,194,511 |
| Minority interests | 158,348 | 156,245 |
| Stockholders' equity: | | |
| Common stock | 167,883 | 167,242 |

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| | | |
|---|------------------|------------------|
| Additional paid-in capital | 394,846 | 394,088 |
| Retained earnings | 1,315,655 | 1,203,248 |
| Accumulated other comprehensive income (loss) | (126,644) | (166,467) |
| Treasury stock | (6,723) | (6,161) |
| Total Stockholders' Equity | 1,745,017 | 1,591,950 |
| Total Liabilities and Stockholders' Equity | 3,120,088 | 2,942,706 |

| | <u>Millions of yen</u> | |
|---|--|--|
| | <u>As of June 30, 2003 (Unaudited)</u> | <u>As of Dec. 31, 2002 (Audited)</u> |
| 1. Allowance for doubtful receivables | 15,113 | 12,031 |
| 2. Accumulated depreciation | 1,104,216 | 1,077,694 |
| 3. Accumulated other comprehensive income (loss): | | |
| Foreign currency translation adjustments | (44,574) | (68,524) |
| Net unrealized gains (losses) on securities | 54 | (1,168) |
| Minimum pension liability adjustments | (80,047) | (96,441) |
| Net gains (losses) on derivative financial instruments | (2,077) | (334) |
| 4. The number of consolidated subsidiaries as of June 30, 2003 was 202, and the number of companies accounted for on equity basis as of June 30, 2003 was 20. | | |

Consolidated Statements of Income

| | Millions of yen | |
|--|--|--|
| | Six months ended June 30, 2003 (Unaudited) | Six months ended June 30, 2002 (Unaudited) |
| Net sales | 1,535,588 | 1,384,483 |
| Cost of sales | 759,714 | 734,221 |
| Gross profit | 775,874 | 650,262 |
| Selling, general and administrative expenses | 559,900 | 510,234 |
| Operating profit | 215,974 | 140,028 |
| Other income (deductions): | (468) | (12,833) |
| Interest and dividend income | 4,630 | 4,734 |
| Interest expense | (2,650) | (3,482) |
| Other, net | (2,448) | (14,085) |
| Income before income taxes | 215,506 | 127,195 |
| Income taxes | 82,801 | 51,539 |
| Minority interests | 4,938 | 2,451 |
| Net income | 127,767 | 73,205 |

Notes:

1. The basic earnings per share is ¥145.55.
2. Canon's comprehensive income consists of net income, change in foreign currency translation adjustments, change in net unrealized gains and losses on securities, change in minimum pension liability adjustments and change in net gains and losses on derivative financial instruments. Comprehensive income for six months ended June 30, 2003 and 2002 were ¥167,590 million and ¥53,370 million, respectively.

Constitution of Sales
100 MILLIONS OF YEN

Sales by Operations Sales by Region

Note:

From this interim period, Canon has revised the product categories contained within the Business Machines segment and discloses Office Imaging Products, Computer Peripherals and Business Information Products.

COMPANY PROFILE

(The following statements are the status as of June 30, 2003, if not specified otherwise.)

Main Activities

The Company is engaged in the manufacture and sales of the following products.

Business Machines

Office Imaging Products

Copying Machines, Digital Multifunctional Machines, Laser Facsimile

Computer Peripherals

Laser Beam Printers, Ink Jet Printers, Ink Jet Multifunctional Machines/Facsimile Machines, Scanners

Cameras

Digital Cameras, Silver Halide Cameras, Digital Video Cameras, Interchangeable Lenses

Optical and Other Products

Semiconductor Production Equipment, Mirror Projection Mask Aligners for LCD Panels, TV Lenses for Broadcasting Stations, Ophthalmic Instruments, X-Ray Equipment, Medical Image Recording Equipment

Shares

Total Number of Shares Issuable is 2,000,000,000 shares.

Total Outstanding Shares, Capital Stock and Number of Shareholders

| | |
|---|-----------------|
| Total Outstanding Shares (<i>share</i>) | |
| As of the end of the Previous Term | 879,136,244 |
| Increase during This Half-Term | 855,710 |
| As of the end of This Half-Term | 879,991,954 |
| Capital Stock (<i>yen</i>) | |
| As of the end of the Previous Term | 167,242,433,582 |
| Increase during This Half-Term | 640,926,790 |
| As of the end of This Half-Term | 167,883,360,372 |
| Number of Shareholders (<i>person</i>) | |
| As of the end of the Previous Term | 34,148 |
| Decrease during This Half-Term | 1,328 |
| As of the end of This Half-Term | 32,820 |

Note:

The increase of the total outstanding shares and the capital stock during this half term reflects the conversion of convertible debentures into shares.

Ratio of Holdings by Shareholders

The Company's Own Shares

| Acquisition during this Half-Term | | Disposition during this Half-Term | | Number of Own Shares as of the end of this Half-Term |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|--|
| Number of Shares | Total Amount of Acquisition Price | Number of Shares | Total Amount of Disposition Price | |
| Common stock 111,804 shares | 545 million yen | Common stock 9,050 shares | 40 million yen | Common stock 1,476,311 shares |

- Notes
1. The acquisitions and dispositions during this half-term reflect the purchase and sales of less- than-one-unit shares, respectively.
 2. There were no share annulment procedures with respect to the Company's own shares during this half-term.
 3. The number of the Company's own shares as of the end of the previous term was 1,373,557 shares of common stock.

Convertible Debentures
MILLIONS OF YEN

Employees

| | |
|---|--------|
| Number of Employees (<i>person</i>) | 18,896 |
| Decrease from the Previous Term (<i>person</i>) | 845 |
| Average Age | 38.6 |
| Average years of Service | 16.1 |

Notes:

1. Number of employees represents the total number of employees (excluding those who do not work full-time).
2. In addition to the employees listed above, 1,734 persons have been dispatched to affiliated companies, etc.

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Directors and Corporate Auditors

| Position | Name | Business in Charge or Main Occupation |
|--------------------------|-------------------|--|
| President & C.E.O. | Fujio Mitarai | |
| Senior Managing Director | Ichiro Endo | Group Executive of Technology Management Headquarters |
| Senior Managing Director | Yukio Yamashita | Group Executive of Human Resources Management & Organization Headquarters |
| Senior Managing Director | Toshizo Tanaka | Group Executive of Finance & Accounting Headquarters |
| Senior Managing Director | Kinya Uchida | President of Canon U.S.A., Inc. |
| Senior Managing Director | Akira Tajima | Chief Executive of Optical Products Operations |
| Senior Managing Director | Tsuneji Uchida | Chief Executive of Image Communications Products Operations |
| Managing Director | Takashi Saito | Deputy Managing Director of Canon Europe Ltd. |
| Managing Director | Yusuke Emura | Group Executive of Global Environment Promotion Headquarters |
| Managing Director | Nobuyoshi Tanaka | Group Executive of Corporate Intellectual Property and Legal Headquarters |
| Managing Director | Junji Ichikawa | Group Executive of Production Management Headquarters |
| Managing Director | Hajime Tsuruoka | President of Canon Europa N.V. |
| Managing Director | Akiyoshi Moroe | Group Executive of General Affairs Headquarters; Group Executive of Information & Communication Systems Headquarters |
| Managing Director | Kunio Watanabe | Group Executive of Corporate Strategy & Development Headquarters |
| Managing Director | Ikuo Soma | Chief Executive of Office Imaging Products Operations |
| Director | Teruomi Takahashi | Chief Executive of Chemical Products Operations |
| Director | Hironori Yamamoto | Group Executive of Core Technology Development Headquarters; Group Executive of Display Developments Headquarters |
| Director | Yoroku Adachi | President of Canon (China) Co., Ltd. |
| Director | Yasuo Mitsuhashi | Chief Executive of Peripheral Products Operations |
| Director | Katsuichi Shimizu | Chief Executive of Inkjet Products Operations |
| Director | Ryoichi Bamba | Executive Vice President of Canon U.S.A., Inc. |
| Director | Tomonori Iwashita | Deputy Chief Executive of Image Communications Products Operations |
| Director | Toshio Homma | Group Executive of New Business Headquarters |
| Director | Shigeru Imaiida | Deputy Group Executive of Production Management Headquarters |
| Corporate Auditor | Kohtaro Miyagi | |
| Corporate Auditor | Masaharu Aono | |
| Corporate Auditor | Tadashi Ohe | Attorney |
| Corporate Auditor | Tetsuo Yoshizawa | |

Note:
Corporate Auditors Mr. Tadashi Ohe and Mr. Tetsuo Yoshizawa are the outside Corporate Auditors stipulated in Article 18, Paragraph 1 of the Law Regarding Exceptional Rules of the Commercial Code Concerning Auditing, etc. of Stock Corporation.

INFORMATION ON SHARES

Closing of accounts:

December 31 of each year

Ordinary general meeting of shareholders:

March of each year

Record date for the above:

December 31 of each year

Otherwise, if necessary, public notice will be given in advance in accordance with a resolution by the board of directors.

Certain date for interim dividends:

June 30 of each year

Transfer agent:

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo

Business handling place of the agent:

Head Office of Stock Transfer Agency Department,
Mizuho Trust & Banking Co., Ltd.

Mailing address and telephone number of the agent:

Business Office of Stock Transfer Agency Department
Mizuho Trust & Banking Co., Ltd.
17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722
Telephone: (03)5213-5213

Intermediary offices:

Branches of Mizuho Trust & Banking Co., Ltd.
Head Office and Branches of Mizuho Investors Securities Co., Ltd.

Number of shares to constitute one unit of shares:

1,000 shares

Newspaper in which public notice is inserted:

The Nihon Keizai Shimbun published in Tokyo

Listed stock exchange:

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, New York and Frankfurt am Main

Fee for issuing share certificate:

The amount equivalent to stamp duty for issue of each new share certificate

**Mizuho Asset Trust & Banking Co., Ltd., one of the intermediary offices for the transfer agent, has merged with Mizuho Trust & Banking Co., Ltd. as of March 12, 2003.*

