

CANON REPORTS RESULTS FOR FISCAL 1999

Millions of yen (except per share amounts)

1. CONSOLIDATED RESULTS

	Actual			Projected	
	1999	1998	Change(%)	2000	Change(%)
Net sales	¥ 2,622,265	¥ 2,826,269	- 7.2	¥ 2,700,000	+ 3.0
Operating profit	176,056	260,778	- 32.5	185,000	+ 5.1
Income before income taxes	156,072	239,513	- 34.8	170,000	+ 8.9
Net income	70,234	109,569	- 35.9	87,000	+ 23.9
Net income per share:					
Basic	¥ 80.66	¥ 126.10	- 36.0	¥ 99.82	+ 23.8
Diluted	79.50	123.93	- 35.9	--	--
Total assets	¥ 2,587,532	¥ 2,728,329	- 5.2	--	--
Stockholders' equity	¥ 1,202,003	¥ 1,155,520	+ 4.0	--	--

2. NON-CONSOLIDATED RESULTS

(Parent company only)

	Actual			Projected	
	1999	1998	Change(%)	2000	Change(%)
Net sales	¥ 1,482,393	¥ 1,566,768	- 5.4	¥ 1,560,000	+ 5.2
Operating profit	102,674	148,265	- 30.7	116,000	+ 13.0
Ordinary profit	113,506	150,050	- 24.4	120,000	+ 5.7
Net income	59,141	81,930	- 27.8	71,000	+ 20.1
Net income per share:					
Basic	¥ 67.92	¥ 94.29	- 28.0	¥ 81.46	+ 19.9
Diluted	66.92	92.64	- 27.8	--	--
Dividends per common share	17.00	17.00	--	--	--
Total assets	¥ 1,393,283	¥ 1,394,203	- 0.1	--	--
Stockholders' equity	¥ 989,194	¥ 943,113	+ 4.9	--	--

Notes for Non-consolidated results:

(1) Amounts less than 1 million yen have been omitted.

(2) From fiscal 1999, business taxes based on income previously included in "Selling, general and administrative expenses" have been reclassified to "Income taxes", without retroactive restatement for the prior year, to conform to a revision in Japanese corporate accounting standards. In fiscal 1999, business taxes based on income totaled JPY 10,523 million.

Management Policy

Through the Management Reformation activities initiated in 1998, the Canon Group has realized notably more efficient operation and a stronger financial structure. As a result, despite year-on-year decreases in sales and income in 1999, we were able to acquire adequate free cash flows for the year. In the future, we will continue to stress cash-flow management while actively expanding our businesses through the promotion of diversification and globalization as we move toward our goal of becoming an excellent corporate group. Furthermore, by pursuing these activities we will increase our corporate value and bolster the confidence of our stakeholders, those who support the entire Canon Group.

Specifically, in the fields of information and communications, for which steady growth is anticipated in the future, we will concentrate on selecting high-potential businesses centered on our core comprehensive technologies for imaging and information, thereby strengthening existing businesses while fostering the development of new businesses. In particular, we will work to develop high-value-added products combining digital and network technologies. Also, by closely linking with Canon Group sales companies, we will promote systemization and reinforce our services and solution businesses for the midterm to the long term.

To promote further globalization, we will enhance our development, production and sales functions in individual regions. In the area of production, our active shifting of operations to overseas bases, especially in the People's Republic of China and Southeast Asia, will improve our cost competitiveness and our resilience against changes in currency exchange rates.

The Canon Group will continue to face a severe operating environment in the near future, however we are confident that the above activities will enable our continuing growth in the long term. We will also be working to improve our ROA (return on assets) and ROE (return on equity), which are measures of management efficiency and profitability enhancement. To prepare for technological reformation and sudden changes in the marketplace, we will step up cash-flow management efforts and strengthen our corporate structure. Regarding the dividends, our basic policy is to ensure sufficient internal funds to carry out the capital and R&D investment required to expand our businesses and profitability while maintaining stable dividends to our shareholders.

In the area of environmental preservation, we will continue to seek harmony with nature. By actively developing environmental assurance technologies related to production, resource reuse and environmental assessment, we will lessen our burden on the environment through resource and energy savings, recycling and waste reduction. Also, we will aggressively promote the green procurement of components, materials and products, and disclose environmental information related to our operations.

As the final year of Phase one of the Excellent Global Corporation Plan, which was launched in 1996, the year 2000 represents a conclusion to five years of activities. The entire Canon Group is committed to further pursuing management reformation that will lead to remarkable growth in the 21st century.

Operating Results

Fiscal 1999 in Review

During 1999, the U.S. economy remained strong, and the European economy expanded slightly though the value of the euro against other major currencies followed a downward path in the second half. The Asian region showed signs of recovery owing to increased exports, particularly from the Republic of Korea and Thailand. In Japan, indications of an economic turnaround were seen, but sluggish consumer spending and private sector capital investment prevented a full-scale recovery.

Canon's main business market expanded during the year, as demand for information and communications equipment tended toward digital, network and color-capable products. However, competition was fierce in terms of product functions and prices. Moreover, the average value of the yen was ¥113.46 against the U.S.\$, and ¥120.42 against the euro. Compared with the previous year, the yen appreciated 15% and 20% against the U.S.\$ and euro, respectively.

In our business machines operations, new digital copying machines in Europe and the United States contributed to favorable sales on a local-currency basis, but the value of these sales decreased in yen terms. Computer peripherals sales decreased for the same reason, though sales of scanners jumped and revenues from laser beam printers expanded on a local-currency basis. Sales of business systems such as facsimile machines also declined in line with severe price competition. As a result, overall sales of business machines fell 8.2% to ¥2,163.9 billion (U.S.\$21,215 million).

Cameras sales increased 3.6% to ¥277.3 billion (U.S.\$2,719 million), owing mainly to new digital cameras and digital video camcorders while the strong yen brought down our sales of 35mm cameras.

In our optical and other products areas, sales decreased 9.7% to ¥180.9 billion (U.S.\$1,774 million). The sluggish semiconductor market restricted capital investment by semiconductor manufacturers through the first half.

In this situation, Canon's consolidated net sales decreased 7.2% to ¥2,622.2 billion (U.S.\$25,708 million). The strong yen had a particularly harsh impact on income. Despite successful production reformation efforts aimed at reducing costs, income before income taxes decreased 34.8% to ¥156.0 billion (U.S.\$1,530 million), and net income fell 35.9% to ¥70.2 billion (U.S.\$689 million).

While net income dropped significantly, successful efforts to reduce working capital, especially inventories, enabled net cash provided by operating activities to increase by ¥29.7 billion (U.S.\$291 million) to ¥308.9 billion (U.S.\$3,029 million), from the previous year. Primarily due to a decrease in capital investment caused by production reformation activities, net cash used in investing activities was ¥200.9 billion (U.S.\$1,970 million), and we achieved a free cash flow of ¥107.9 billion (U.S.\$1,058 million). Net cash used in financing activities came to ¥122.8 billion (U.S.\$1,204 million), mostly because of debt repayment. As a result, cash and cash equivalents at the end of the year were ¥480.4 billion (U.S.\$4,710 million), a decrease of ¥18.7 billion (U.S.\$184 million) from the previous year.

On a non-consolidated basis, net sales decreased 5.4% to ¥1,482.3 billion (U.S.\$14,533 million). Ordinary profit slipped 24.4% and net income fell 27.8% to ¥113.5 billion (U.S.\$1,113 million) and ¥59.1 billion (U.S.\$580 million), respectively.

Following on an interim dividend of ¥8.5 (U.S.\$0.08) per share of common stock, the Board of Directors has proposed a year-end dividend in the same amount, bringing total dividends for the year to ¥17.0 (U.S.\$0.17).

Outlook for Fiscal 2000

Looking forward to the year 2000, while a slowdown in growth is forecast for the U.S. economy, the overall economic environment should remain favorable. In Europe, the low value of the euro is expected to propel exports, which will support economic expansion. However, full-scale recoveries cannot be predicted for personal spending and capital investment in Japan, which will likely continue to experience a slight upward trend. The markets in which Canon operates are anticipated to grow steadily, as demand for information and communications equipment shifts further toward products with digital, network and color functions. Nevertheless, the operating environment will remain severe in line with increasing customer demands for improved performance and intense price competition. The increase in demand for semiconductors is expected to lead manufacturers of these devices to step up capital investment, which will lead to growing demand for our semiconductor production equipment. Under these circumstances, the Canon Group will devote all of its energies to improving business results by introducing appealing and competitive products that meet customer needs, and by continuing management reformation activities aimed at enhancing the efficiency of development, production, sales and distribution.

In 2000, Canon forecasts consolidated net sales of ¥2,700.0 billion (U.S.\$26,471 million), income before income taxes of ¥170.0 billion (U.S.\$1,667 million) and net income of ¥87.0 billion (U.S.\$853 million). Canon Inc. anticipates non-consolidated net sales of ¥1,560.0 billion (U.S.\$15,294 million), ordinary income of ¥120.0 billion (U.S.\$1,176 million) and net income of ¥71.0 billion (U.S.\$696 million). These forecasts are based on assumed currency exchange rates of ¥105 and ¥110 to the U.S. dollar and euro, respectively.

Note:

U.S. dollar amounts are translated from yen at the rate of ¥102 = U.S.\$ 1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 1999.

The Year 2000 (Y2K) Issue

(1) Canon's State of Readiness

Canon considers resolving the Year 2000 (Y2K) issue as one of its most important management tasks, and has formed a Y2K committee with the involvement of major Canon Group companies. This committee has been coordinating all aspects of the Y2K preparations of Canon Group.

Prior to the beginning of the year 2000, we established the countermeasures headquarters to test and confirm compliance of our utilities, information infrastructure, main information systems, manufacturing facilities and major suppliers during the year end/beginning. However, Company management has so far remained unaffected by Y2K-related problems. Also, although Canon Group sales companies established a special team to handle customer communications, no specific product-related issues have arisen.

Nevertheless, because several days remain on which Y2K-related problems are conceivable, for the time being we will continue with this committee, gathering information about external conditions and implementing necessary countermeasures.

(2) The Costs to Canon to address this Issue

Canon Inc. and major Canon Group companies consigned external software companies to ensure Y2K compliance. For the Canon Group as a whole, these activities involved costs of approximately ¥1.8 billion (U.S.\$18 million) for period up to and including December 31, 1999.

Y2K-related costs also arose in other areas, however these costs are not materially significant to our future business operations or performance.

These reports contain forward-looking statements which reflect management's current views with respects to certain future events and financial performance. Actual results may differ materially from those projected or implied in any forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. ("Cautionary Statements for Purposes of the Safe Harbor' Provisions of the United States Private Securities Litigation Reform Act of 1995.")

1. CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 1999 and 1998

	Millions of yen		Change(%)	Thousands of U.S. dollars
	1999	1998		1999
Net sales	¥ 2,622,265	¥ 2,826,269	- 7.2	\$ 25,708,480
Cost of sales	1,497,940	1,569,197		14,685,686
Gross profit	1,124,325	1,257,072	- 10.6	11,022,794
Selling, general and administrative expenses	948,269	996,294		9,296,755
Operating profit	176,056	260,778	- 32.5	1,726,039
Other income (deductions):				
Interest and dividend income	10,222	12,576		100,216
Interest expense	(20,356)	(28,881)		(199,569)
Other, net	(9,850)	(4,960)		(96,568)
	(19,984)	(21,265)		(195,921)
Income before income taxes	156,072	239,513	- 34.8	1,530,118
Income taxes	83,939	123,843		822,932
Income before minority interests	72,133	115,670		707,186
Minority interests	1,899	6,101		18,617
Net income	¥ 70,234	¥ 109,569	- 35.9	\$ 688,569
Net income per share:	Yen			U.S. dollars
Basic	¥ 80.66	¥ 126.10		\$ 0.79
Diluted	79.50	123.93		0.78

2. DETAILS OF SALES

Years ended December 31, 1999 and 1998

Sales by product	Millions of yen		Change(%)	Thousands of U.S. dollars
	1999	1998		1999
Business machines:				
<i>Copying machines</i>	¥ 842,082	¥ 896,641	- 6.1	\$ 8,255,706
<i>Computer peripherals</i>	965,499	1,064,304	- 9.3	9,465,677
<i>Business systems</i>	356,350	397,272	- 10.3	3,493,627
	2,163,931	2,358,217	- 8.2	21,215,010
Cameras	277,349	267,636	+ 3.6	2,719,107
Optical and other products	180,985	200,416	- 9.7	1,774,363
Total	¥ 2,622,265	¥ 2,826,269	- 7.2	\$ 25,708,480
Sales by region	Millions of yen		Change(%)	Thousands of U.S. dollars
	1999	1998		1999
Japan	¥ 755,704	¥ 761,776	- 0.8	\$ 7,408,863
Overseas:				
<i>Americas</i>	913,377	1,005,648	- 9.2	8,954,676
<i>Europe</i>	741,657	850,226	- 12.8	7,271,147
<i>Other areas</i>	211,527	208,619	+ 1.4	2,073,794
	1,866,561	2,064,493	- 9.6	18,299,617
Total	¥ 2,622,265	¥ 2,826,269	- 7.2	\$ 25,708,480

3. SEGMENT INFORMATION BY PRODUCT

Years ended December 31, 1999 and 1998

(Millions of yen)	1999				
	Business Machines	Cameras	Optical and other products	Corporate and Eliminations	Consolidated
Net Sales					
Unaffiliated customers	¥ 2,163,931	277,349	180,985	-	2,622,265
Intersegment	-	-	79,413	(79,413)	-
Total	2,163,931	277,349	260,398	(79,413)	2,622,265
Operating cost and expenses	1,902,053	258,382	273,631	12,143	2,446,209
Operating profit	261,878	18,967	(13,233)	(91,556)	176,056
Assets	1,256,667	155,204	252,071	923,590	2,587,532
Depreciation and amortization	114,451	12,285	12,860	18,515	158,111
Capital expenditure	143,269	12,880	17,856	26,381	200,386

Notes: (1)General corporate expenses of JPY 91,540 million (U.S.\$ 897,451 thousand) are included in "Corporate and Eliminations."

(2)Corporate assets of JPY 923,863 million (U.S.\$ 9,057,480 thousand), which mainly consist of cash and cash equivalents, marketable securities and corporate properties, are included in "Corporate and Eliminations."

(Millions of yen)	1998				
	Business Machines	Cameras	Optical and other products	Corporate and Eliminations	Consolidated
Net Sales					
Unaffiliated customers	¥ 2,358,217	267,636	200,416	-	2,826,269
Intersegment	-	-	80,179	(80,179)	-
Total	2,358,217	267,636	280,595	(80,179)	2,826,269
Operating cost and expenses	2,041,532	240,429	275,946	7,584	2,565,491
Operating profit	316,685	27,207	4,649	(87,763)	260,778
Assets	1,438,218	159,896	239,884	890,331	2,728,329
Depreciation and amortization	117,179	11,695	9,925	22,988	161,787
Capital expenditure	149,072	14,019	17,296	41,014	221,401

Notes: (1)General corporate expenses of JPY 88,064 million are included in "Corporate and Eliminations."

(2)Corporate assets of JPY 892,863 million, which mainly consist of cash and cash equivalents, marketable securities and corporate properties, are included in "Corporate and Eliminations."

(Thousands of U.S. dollars)	1999				
	Business Machines	Cameras	Optical and other products	Corporate and Eliminations	Consolidated
Net Sales					
Unaffiliated customers	\$ 21,215,010	2,719,107	1,774,363	-	25,708,480
Intersegment	-	-	778,559	(778,559)	-
Total	21,215,010	2,719,107	2,552,922	(778,559)	25,708,480
Operating cost and expenses	18,647,579	2,533,156	2,682,657	119,049	23,982,441
Operating profit	2,567,431	185,951	(129,735)	(897,608)	1,726,039
Assets	12,320,265	1,521,608	2,471,284	9,054,804	25,367,961
Depreciation and amortization	1,122,069	120,441	126,078	181,520	1,550,108
Capital expenditure	1,404,598	126,275	175,059	258,637	1,964,569

4. SEGMENT INFORMATION BY GEOGRAPHIC AREA

Years ended December 31, 1999 and 1998

(Millions of yen)	1999					
	Japan	Americas	Europe	Others	Corporate and Eliminations	Consolidated
Net Sales						
Unaffiliated customers	¥ 791,399	912,676	736,570	181,620	-	2,622,265
Intersegment	1,205,021	14,468	3,645	179,527	(1,402,661)	-
Total	1,996,420	927,144	740,215	361,147	(1,402,661)	2,622,265
Operating cost and expenses	1,791,871	898,900	727,215	350,482	(1,322,259)	2,446,209
Operating profit	204,549	28,244	13,000	10,665	(80,402)	176,056
Assets	1,328,376	298,624	338,630	138,251	483,651	2,587,532

Notes: (1)General corporate expenses of JPY 91,540 million (U.S.\$ 897,451 thousand) are included in "Corporate and Eliminations."

(2)Corporate assets of JPY 923,863 million (U.S.\$ 9,057,480 thousand), which mainly consist of cash and cash equivalents, marketable securities and corporate properties, are included in "Corporate and Eliminations."

(Millions of yen)	1998					
	Japan	Americas	Europe	Others	Corporate and Eliminations	Consolidated
Net Sales						
Unaffiliated customers	¥ 796,406	1,003,683	841,400	184,780	-	2,826,269
Intersegment	1,312,405	21,523	3,126	198,702	(1,535,756)	-
Total	2,108,811	1,025,206	844,526	383,482	(1,535,756)	2,826,269
Operating cost and expenses	1,831,816	1,002,166	820,257	370,036	(1,458,784)	2,565,491
Operating profit	276,995	23,040	24,269	13,446	(76,972)	260,778
Assets	1,384,473	328,634	391,354	136,843	487,025	2,728,329

Notes: (1)General corporate expenses of JPY 88,064 million are included in "Corporate and Eliminations."

(2)Corporate assets of JPY 892,863 million, which mainly consist of cash and cash equivalents, marketable securities and corporate properties, are included in "Corporate and Eliminations."

(Thousands of U.S. dollars)	1999					
	Japan	Americas	Europe	Others	Corporate and Eliminations	Consolidated
Net Sales						
Unaffiliated customers	\$ 7,758,814	8,947,804	7,221,274	1,780,588	-	25,708,480
Intersegment	11,813,931	141,843	35,736	1,760,069	(13,751,579)	-
Total	19,572,745	9,089,647	7,257,010	3,540,657	(13,751,579)	25,708,480
Operating cost and expenses	17,567,363	8,812,745	7,129,559	3,436,098	(12,963,324)	23,982,441
Operating profit	2,005,382	276,902	127,451	104,559	(788,255)	1,726,039
Assets	13,023,294	2,927,686	3,319,902	1,355,402	4,741,677	25,367,961

5. CONSOLIDATED BALANCE SHEETS

As of December 31, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars
	Dec. 31, 1999	Dec. 31, 1998	Change	Dec. 31, 1999
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 480,453	¥ 499,182	¥ (18,729)	\$ 4,710,324
Marketable securities	9,003	7,470	1,533	88,265
Trade receivables, less allowance	376,472	412,375	(35,903)	3,690,902
Inventories	436,250	549,257	(113,007)	4,276,961
Prepaid expenses and other current assets	184,411	197,433	(13,022)	1,807,950
Total current assets	1,486,589	1,665,717	(179,128)	14,574,402
Noncurrent receivables and restricted funds	29,771	50,309	(20,538)	291,873
Investments	166,464	83,212	83,252	1,632,000
Net property, plant and equipment	746,824	742,312	4,512	7,321,804
Other assets	157,884	186,779	(28,895)	1,547,882
Total assets	¥ 2,587,532	¥ 2,728,329	¥ (140,797)	\$ 25,367,961
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term loans	¥ 298,399	¥ 403,332	¥ (104,933)	\$ 2,925,480
Trade payables	364,664	401,527	(36,863)	3,575,137
Income taxes	45,915	61,328	(15,413)	450,147
Accrued expenses	117,390	127,905	(10,515)	1,150,882
Other current liabilities	50,491	47,302	3,189	495,010
Total current liabilities	876,859	1,041,394	(164,535)	8,596,656
Long-term debt, excluding current installments	165,277	180,320	(15,043)	1,620,363
Accrued pension and severance cost	132,826	132,818	8	1,302,216
Other noncurrent liabilities	11,325	12,228	(903)	111,030
Total liabilities	1,186,287	1,366,760	(180,473)	11,630,265
Minority interests	199,242	206,049	(6,807)	1,953,353
Stockholders' equity:				
Common stock	163,969	163,033	936	1,607,539
Additional paid-in capital	376,848	375,913	935	3,694,588
Legal reserve	33,518	31,396	2,122	328,608
Retained earnings	735,975	682,663	53,312	7,215,441
Accumulated other comprehensive income (loss)	(108,307)	(97,485)	(10,822)	(1,061,833)
Total stockholders' equity	1,202,003	1,155,520	46,483	11,784,343
Total liabilities and stockholders' equity	¥ 2,587,532	¥ 2,728,329	¥ (140,797)	\$ 25,367,961

	Millions of yen		Thousands of U.S. dollars
	Dec. 31, 1999	Dec. 31, 1998	Dec. 31, 1999
Allowance for doubtful receivables	¥ 15,089	¥ 16,435	\$ 147,931
Accumulated depreciation	913,572	868,773	8,956,588
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(127,148)	(66,372)	(1,246,549)
Net unrealized gains on securities	48,699	7,442	477,441
Minimum pension liability adjustments	(29,858)	(38,555)	(292,725)

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net Income	¥ 70,234	¥ 109,569	\$ 688,569
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	158,111	161,787	1,550,108
Loss on disposal of property and equipment	8,814	6,631	86,412
Deferred income taxes	(5,972)	1,941	(58,549)
Decrease (increase) in trade receivables	(1,231)	1,640	(12,069)
Decrease in inventories	107,913	15,737	1,057,971
Decrease in trade payables	(22,950)	(46,636)	(225,000)
Increase (decrease) in income taxes	(13,966)	607	(136,922)
Increase in accrued expenses	3,206	9,386	31,431
Other, net	4,758	18,558	46,647
Net cash provided by operating activities	308,917	279,220	3,028,598
Cash flows from investing activities:			
Capital expenditure	(200,386)	(221,401)	(1,964,569)
Proceeds from sale of property, plant and equipment	6,104	3,404	59,843
Payment for purchase of marketable securities	(12,349)	(5,386)	(121,069)
Proceeds from sale of marketable securities	6,637	9,439	65,069
Payment for purchase of investments	(9,770)	(28,111)	(95,784)
Other	8,782	(5,892)	86,098
Net cash used in investing activities	(200,982)	(247,947)	(1,970,412)
Cash flows from financing activities:			
Proceeds from long-term debt	23,811	34,903	233,441
Repayment of long-term debt	(75,005)	(29,458)	(735,343)
Decrease in short-term loans	(51,871)	(167,295)	(508,539)
Dividends paid	(14,797)	(15,619)	(145,069)
Other	(4,961)	(393)	(48,637)
Net cash used in financing activities	(122,823)	(177,862)	(1,204,147)
Effect of exchange rate changes on cash and cash equivalents	(3,841)	(1,326)	(37,657)
Net change in cash and cash equivalents	(18,729)	(147,915)	(183,618)
Cash and cash equivalents at beginning of year	499,182	647,097	4,893,942
Cash and cash equivalents at end of year	¥ 480,453	¥ 499,182	\$ 4,710,324

CONSOLIDATED

- Notes (1) U.S. dollar amounts are translated from yen at the rate of JPY102=U.S.\$ 1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 1999.
- (2) Canon adopted Statement of Financial Accounting Standards No. 115 ("SFAS 115"), " Accounting for Certain Investments in Debt and Equity Securities," from the fiscal year beginning January 1, 1999, and has applied SFAS 115 retroactively to the financial statements for the prior years.
- (3) Canon's comprehensive income consists of net income, change in foreign currency translation adjustments, change in minimum pension liability adjustments and change in net unrealized gains on securities. Comprehensive income for the years ended December 31, 1999 and 1998 were JPY 59,412 million (U.S.\$ 582,471 thousands) and JPY 56,117 million, respectively.

1. NON-CONSOLIDATED STATEMENTS OF INCOME**(Parent company only)**

Years ended December 31, 1999 and 1998

	Millions of yen		Change(%)
	1999	1998	
Net sales	¥ 1,482,393	¥ 1,566,768	- 5.4
Cost of sales	1,071,462	1,094,765	
Gross profit	410,930	472,002	- 12.9
Selling, general and administrative expenses	308,255	323,737	
Operating profit	102,674	148,265	- 30.7
Other income (deductions):			
Interest and dividend income	14,957	12,251	
Interest expense	(11,921)	(17,614)	
Other, net	7,796	7,147	
Ordinary profit	10,831	1,784	
Ordinary profit	113,506	150,050	- 24.4
Non-ordinary loss, net	7,965	4,628	
Income before income taxes	105,541	145,421	
Income taxes	46,400	63,491	
Net income	¥ 59,141	¥ 81,930	- 27.8
Net income per share:	Yen		
Basic	¥ 67.92	¥ 94.29	
Diluted	66.92	92.64	

Notes:

(1) Amounts less than 1 million yen have been omitted.

(2) From fiscal 1999, business taxes based on income previously included in "Selling, general and administrative expenses" have been reclassified to "Income taxes", without retroactive restatement for the prior year, to conform to a revision in Japanese corporate accounting standards. In fiscal 1999, business taxes based on income totaled JPY 10,523 million.

2. DETAILS OF SALES**(Parent company only)**

Years ended December 31, 1999 and 1998

Sales by product

	Millions of yen		Change(%)
	1999	1998	
Business machines:			
<i>Copying machines</i>	¥ 384,785	¥ 378,722	+ 1.6
<i>Computer peripherals</i>	746,529	816,744	- 8.6
<i>Business systems</i>	81,832	101,303	- 19.2
	<u>1,213,147</u>	<u>1,296,769</u>	<u>- 6.4</u>
Cameras	190,988	187,649	+ 1.8
Optical and other products	78,257	82,348	- 5.0
Total	<u>¥ 1,482,393</u>	<u>¥ 1,566,768</u>	<u>- 5.4</u>

Sales by region

	Millions of yen		Change(%)
	1999	1998	
Japan	¥ 275,516	¥ 260,725	+ 5.7
Overseas:			
<i>Americas</i>	575,123	642,352	- 10.5
<i>Europe</i>	484,469	529,615	- 8.5
<i>Other areas</i>	147,282	134,075	+ 9.9
	<u>1,206,876</u>	<u>1,306,043</u>	<u>- 7.6</u>
Total	<u>¥ 1,482,393</u>	<u>¥ 1,566,768</u>	<u>- 5.4</u>

Note: Amounts less than 1 million yen have been omitted.

3. NON-CONSOLIDATED BALANCE SHEETS**(Parent company only)**

As of December 31, 1999 and 1998

	Millions of yen		
	Dec. 31, 1999	Dec. 31, 1998	Change
ASSETS			
Current assets:			
Cash	¥ 121,793	¥ 149,405	¥ (27,612)
Trade receivables	241,321	182,783	58,538
Marketable securities	2,550	2,475	75
Inventories	181,292	263,320	(82,028)
Prepaid expenses and other current assets	95,965	95,785	180
Allowance for doubtful accounts	(8,137)	(8,743)	606
Total current assets	634,786	685,027	(50,241)
Fixed assets:			
Net property, plant and equipment	383,102	367,422	15,680
Intangibles	671	686	(15)
Investments and other fixed assets	374,880	341,200	33,680
Allowance for doubtful accounts	(158)	(134)	(24)
Total fixed assets	758,496	709,176	49,320
Total assets	¥ 1,393,283	¥ 1,394,203	¥ (920)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Trade payables	¥ 275,992	¥ 297,128	¥ (21,136)
Short-term loans	9,871	10,980	(1,109)
Income taxes	23,688	34,347	(10,659)
Business taxes	-	10,525	(10,525)
Other current liabilities	29,954	30,977	(1,023)
Total current liabilities	339,507	383,958	(44,451)
Long-term debt, excluding current installments	64,581	67,130	(2,549)
Total liabilities	404,088	451,089	(47,001)
Stockholders' equity:			
Common stock	163,969	163,033	936
Additional paid-in capital	285,080	284,145	935
Legal reserve	18,592	17,099	1,493
Retained earnings	521,552	478,836	42,716
Total stockholders' equity	989,194	943,113	46,081
Total liabilities and stockholders' equity	¥ 1,393,283	¥ 1,394,203	¥ (920)
Millions of yen			
	Dec. 31, 1999	Dec. 31, 1998	
Accumulated depreciation	¥ 549,788	¥ 516,190	

Notes:

- (1) Amounts less than 1 million yen have been omitted.
- (2) In fiscal 1998, "Business taxes" include business taxes based on income and on floor space and salary. From fiscal 1999, business taxes based on income are included in "Income taxes", and business taxes based on floor space and salary are included in "Other current liabilities".

**CONSOLIDATED FINANCIAL RESULTS
FISCAL 1999
SUPPLEMENTARY REPORT**

TABLE OF CONTENTS

	PAGE
1. SALES BY REGION AND PRODUCT.....	1
2. SEGMENT INFORMATION BY PRODUCT.....	2
3. PROFITABILITY	2
4. IMPACT OF FOREIGN EXCHANGE RATES ON SALES	3
5. CAPITAL EXPENDITURE	3
6. R&D EXPENDITURE	3
7. INVENTORIES	4
8. OVERSEAS PRODUCTION RATIO.....	4
9. NUMBER OF EMPLOYEES.....	4

This report contains forward-looking statements which reflect management's current views with respects to certain future events and financial performance. Actual results may differ materially from those projected or implied in any forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. ("Cautionary Statements for Purposes of the Safe Harbor' Provisions of the United States Private Securities Litigation Reform Act of 1995.")

1. SALES BY REGION AND PRODUCT

(Millions of yen)

	1998	1999	Change(%)	2000 Projected	Change(%)
Domestic					
Business machines	605,994	601,584	-0.7%	612,660	+1.8%
Copying machines	249,648	244,880	-1.9%	264,513	+8.0%
Computer peripherals	135,566	147,655	+8.9%	153,659	+4.1%
Business systems	220,780	209,049	-5.3%	194,488	-7.0%
Cameras	60,950	68,483	+12.4%	76,110	+11.1%
Optical and other products	94,832	85,637	-9.7%	96,130	+12.3%
Total	761,776	755,704	-0.8%	784,900	+3.9%
Overseas					
Business machines	1,752,223	1,562,347	-10.8%	1,572,540	+0.7%
Copying machines	646,993	597,202	-7.7%	584,787	-2.1%
Computer peripherals	928,738	817,844	-11.9%	842,241	+3.0%
Business systems	176,492	147,301	-16.5%	145,512	-1.2%
Cameras	206,686	208,866	+1.1%	204,590	-2.0%
Optical and other products	105,584	95,348	-9.7%	137,970	+44.7%
Total	2,064,493	1,866,561	-9.6%	1,915,100	+2.6%
Americas					
Business machines	867,632	784,320	-9.6%	776,370	-1.0%
Copying machines	296,500	292,374	-1.4%	286,207	-2.1%
Computer peripherals	490,124	429,312	-12.4%	431,782	+0.6%
Business systems	81,008	62,634	-22.7%	58,381	-6.8%
Cameras	92,372	95,121	+3.0%	95,579	+0.5%
Optical and other products	45,644	33,936	-25.7%	51,051	+50.4%
Total	1,005,648	913,377	-9.2%	923,000	+1.1%
Europe					
Business machines	728,908	628,414	-13.8%	648,443	+3.2%
Copying machines	303,890	260,235	-14.4%	254,735	-2.1%
Computer peripherals	347,717	298,745	-14.1%	321,990	+7.8%
Business systems	77,301	69,434	-10.2%	71,718	+3.3%
Cameras	92,647	90,536	-2.3%	84,689	-6.5%
Optical and other products	28,671	22,707	-20.8%	29,568	+30.2%
Total	850,226	741,657	-12.8%	762,700	+2.8%
Other areas					
Business machines	155,683	149,613	-3.9%	147,727	-1.3%
Copying machines	46,603	44,593	-4.3%	43,845	-1.7%
Computer peripherals	90,897	89,787	-1.2%	88,469	-1.5%
Business systems	18,183	15,233	-16.2%	15,413	+1.2%
Cameras	21,667	23,209	+7.1%	24,322	+4.8%
Optical and other products	31,269	38,705	+23.8%	57,351	+48.2%
Total	208,619	211,527	+1.4%	229,400	+8.4%
Total					
Business machines	2,358,217	2,163,931	-8.2%	2,185,200	+1.0%
Copying machines	896,641	842,082	-6.1%	849,300	+0.9%
Computer peripherals	1,064,304	965,499	-9.3%	995,900	+3.1%
Business systems	397,272	356,350	-10.3%	340,000	-4.6%
Cameras	267,636	277,349	+3.6%	280,700	+1.2%
Optical and other products	200,416	180,985	-9.7%	234,100	+29.3%
Total	2,826,269	2,622,265	-7.2%	2,700,000	+3.0%

2. SEGMENT INFORMATION BY PRODUCT

(Millions of yen)

	1998	1999	Change(%)	2000 Projected	Change(%)
Business machines					
Unaffiliated customers	2,358,217	2,163,931	-8.2%	2,185,200	+1.0%
Intersegment	-	-	-	-	-
Total sales	2,358,217	2,163,931	-8.2%	2,185,200	+1.0%
Operating profit	316,685	261,878	-17.3%	256,800	-1.9%
% of sales	13.4%	12.1%	-	11.8%	-
Cameras					
Unaffiliated customers	267,636	277,349	+3.6%	280,700	+1.2%
Intersegment	-	-	-	-	-
Total sales	267,636	277,349	+3.6%	280,700	+1.2%
Operating profit	27,207	18,967	-30.3%	20,900	+10.2%
% of sales	10.2%	6.8%	-	7.4%	-
Optical and other products					
Unaffiliated customers	200,416	180,985	-9.7%	234,100	+29.3%
Intersegment	80,179	79,413	-1.0%	66,900	-15.8%
Total sales	280,595	260,398	-7.2%	301,000	+15.6%
Operating profit	4,649	-13,233	-	2,400	-
% of sales	1.7%	-5.1%	-	0.8%	-
Corporate and Eliminations					
Unaffiliated customers	-	-	-	-	-
Intersegment	-80,179	-79,413	-	-66,900	-
Total sales	-80,179	-79,413	-	-66,900	-
Operating profit	-87,763	-91,556	-	-95,100	-
Consolidated					
Unaffiliated customers	2,826,269	2,622,265	-7.2%	2,700,000	+3.0%
Intersegment	-	-	-	-	-
Total sales	2,826,269	2,622,265	-7.2%	2,700,000	+3.0%
Operating profit	260,778	176,056	-32.5%	185,000	+5.1%
% of sales	9.2%	6.7%	-	6.9%	-

3. PROFITABILITY

	1998	1999	Difference	2000 Projected	Difference
ROE	9.7%	6.0%	-3.7%	7.0%	+1.0%
ROA	3.9%	2.6%	-1.3%	3.3%	+0.7%

4. IMPACT OF FOREIGN EXCHANGE RATES ON SALES

	1998	1999	Change	2000 Projected	Change
Impact of foreign exchange rates (Billions of yen)					
US\$	96.3	-183.5	-	-102.0	-
EUR	-	-111.0	-	-52.0	-
DFL	32.6	-	-	-	-
Other currencies	-4.8	-5.7	-	-12.0	-
Total	124.1	-300.2	-	-166.0	-
Exchange rates (Yen)					
Yen/US\$	130.4	113.5	-16.9	105.0	-8.5
Yen/EUR	-	120.4	-	110.0	-10.4
Yen/DFL	65.8	-	-	-	-

5. CAPITAL EXPENDITURE

(Millions of yen)

	1998	1999	Change	2000 Projected	Change
Capital expenditure					
Business machines	149,072	143,269	-5,803	-	-
Cameras	14,019	12,880	-1,139	-	-
Optical and other products	17,296	17,856	560	-	-
Corporate and Eliminations	41,014	26,381	-14,633	-	-
Total	221,401	200,386	-21,015	180,000	-20,386
Depreciation and amortization					
Business machines	117,179	114,451	-2,728	-	-
Cameras	11,695	12,285	590	-	-
Optical and other products	9,925	12,860	2,935	-	-
Corporate and Eliminations	22,988	18,515	-4,473	-	-
Total	161,787	158,111	-3,676	160,000	1,889

6. R&D EXPENDITURE

(Millions of yen)

	1998	1999	Change	2000 Projected	Change
R&D expenditure	176,967	177,922	955	180,000	2,078
% of sales	6.3%	6.8%	-	6.7%	-

7. INVENTORIES

(Millions of yen)

	1998	1999	Change
Inventories			
Business machines	399,767	299,521	-100,246
Cameras	50,323	44,639	-5,684
Optical and other products	99,167	92,090	-7,077
Total	549,257	436,250	-113,007

(Days)

	1998	1999	Change
Inventories/Sales*			
Business machines	62	51	-11
Cameras	65	55	-10
Optical and other products	185	175	-10
Total	71	60	-11

*Index based on second half sales

8. OVERSEAS PRODUCTION RATIO

	1998	1999	Difference
Overseas production ratio	31%	30%	-1%

9. NUMBER OF EMPLOYEES

	1998	1999	Change
Number of employees*	79,799	81,009	1,210

*At the end of each term