



CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND THE NINE MONTHS ENDED SEPTEMBER 30, 2002

October 29, 2002

CONSOLIDATED RESULTS FOR THE THIRD QUARTER

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

	Actual			
	Three months ended September 30, 2002 (Unaudited)	Three months ended September 30, 2001 (Unaudited)	Change(%)	Three months ended September 30, 2002 (Unaudited)
Net sales	¥ 693,982	¥ 680,281	+ 2.0	\$ 5,642,130
Operating profit	92,730	76,326	+ 21.5	753,902
Income before income taxes	98,376	70,091	+ 40.4	799,805
Net income	<u>57,464</u>	<u>37,470</u>	<u>+ 53.4</u>	<u>467,187</u>
Earnings per share:				
Net income:				
- Basic	¥ 65.54	¥ 42.77	+ 53.2	\$ 0.53
- Diluted	<u>64.69</u>	<u>42.17</u>	<u>+ 53.4</u>	<u>0.53</u>

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

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

	Actual				Projected	
	Nine months ended September 30, 2002 (Unaudited)	Nine months ended September 30, 2001 (Unaudited)	Change(%)	Nine months ended September 30, 2002 (Unaudited)	Year ending December 31, 2002	Change(%)
Net sales	¥ 2,078,465	¥ 2,154,256	- 3.5	\$ 16,898,089	¥ 2,910,000	+ 0.1
Operating profit	232,758	239,966	- 3.0	1,892,341	320,000	+ 13.5
Income before income taxes	225,571	238,713	- 5.5	1,833,911	300,000	+ 6.5
Income before cumulative effect of change in accounting principle	130,669	133,841	- 2.4	1,062,350	-	-
Net income	<u>130,669</u>	<u>137,533</u>	<u>- 5.0</u>	<u>1,062,350</u>	<u>175,000</u>	<u>+ 4.4</u>
Earnings per share:						
Income before cumulative effect of change in accounting principle:						
- Basic	¥ 149.06	¥ 152.81	- 2.5	\$ 1.21	-	-
- Diluted	<u>147.15</u>	<u>150.68</u>	<u>- 2.3</u>	<u>1.20</u>	<u>-</u>	<u>-</u>
Net Income:						
- Basic	¥ 149.06	¥ 157.03	- 5.1	\$ 1.21	¥ 199.61	+ 4.3
- Diluted	<u>147.15</u>	<u>154.84</u>	<u>- 5.0</u>	<u>1.20</u>	<u>-</u>	<u>-</u>

	Actual			
	As of September 30, 2002 (Unaudited)	As of December 31, 2001 (Audited)	Change(%)	As of September 30, 2002 (Unaudited)
Total assets	¥ 2,851,358	¥ 2,844,756	+ 0.2	\$ 23,181,772
Stockholders' equity	<u>1,552,838</u>	<u>1,458,476</u>	<u>+ 6.5</u>	<u>12,624,699</u>

- Notes: 1. Canon's consolidated financial statements conform with accounting principles generally accepted in the United States of America.
2. U.S. dollar amounts are translated from yen at the rate of US\$ = JPY123, the approximate exchange rate on the Tokyo Foreign Exchange Market as of September 30, 2002, solely for the convenience of the reader.
3. In 2001 closing, loss on disposal of property, plant and equipment is accounted for in "Selling, general and administrative expenses," and the statement of income for the nine months ended September 30, 2001, is restated to maintain comparability.

Canon Inc.
Headquarter office

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

Phone: +81-3-3758-2111

Operating Results and Financial Conditions

2002 Third Quarter in Review

Looking back at the global economy in the third quarter of 2002, in the United States, consumer spending, especially on durable goods, showed steady growth while housing investment levels remained high. But, deterioration in consumer confidence and restrained growth in industrial production due to a decline in business confidence has resulted in increased anxiety regarding a future economic recovery. In Japan, although exports have continued to increase, the overall business climate remained harsh amid flat consumer spending and a sluggish recovery in production. In Europe, although there was some improvement in the economies of France and England, the overall pace of recovery in the region slowed as a result of a weakened German economy. In Asia, the economy as a whole exhibited healthy growth with the Chinese economy continuing to expand substantially while the other economies in Asia were supported by increased domestic demand, although export sales to the United States had tapered off.

As for the markets in which the Canon Group operates, unfavorable consumer spending in Japan, the United States, and Europe resulted in reduced demand for printers and other IT-related equipment while corporate-use digital copying machines, especially multifunction and color machines, posted generally favorable results. The digital camera market continued to show strong growth in Japan and overseas markets, supported by robust demand. In the field of semiconductor-production equipment, memory device manufacturers continued to exercise restraint in capital spending due to price declines in the memory device market resulting from stagnant market demand for personal computers. The average value of the yen for the third quarter was ¥119.31 to the U.S. dollar and ¥117.38 to the euro, a year-on-year increase of about 2% against the U.S. dollar, and decrease of about 8% against the euro.

Amid these conditions, Canon's operating results showed a steady recovery during the quarter. Canon's consolidated net sales increased by 2.0% from the year-ago period to ¥694.0 billion (US\$5,642 million) owing to a significant increase in sales of digital cameras and digital video camcorders, and the resumption of sales growth for laser beam printers resulting from progress in inventory adjustment by the company's OEM partner. Net income also increased substantially by 53.4% to ¥57.5 billion (US\$467 million). Canon's gross profit ratio during the third quarter improved by 2.7% to 47.9%, reflecting the positive effects of maintaining relatively high product prices through new product launches, combined with cost reductions realized through sustained production reformation activities. As a result, despite a slight increase in sales, Canon's gross profit for the third quarter increased by 8.1% compared with the same period from the previous year to ¥332.3 billion (US\$2,702 million).

Selling, general and administrative expenses rose 3.6% year on year for the third quarter as R&D expenditures increased by ¥2.2 billion (US\$18 million) to ¥53.5 billion (US\$435 million). Selling expenses also grew due to advertising and sales promotion expenses. Consequently, operating profit in the third quarter totaled ¥92.7 billion (US\$754 million), a significant increase of 21.5%.

In the area of non-operating income and expenses, the promotion of cash flow management has resulted in improved financial strength, making possible an improvement in net interest income of ¥1.3 billion (US\$11 million) compared with the corresponding period for the previous year. Currency exchange gains totaled ¥3.0 billion (US\$25 million) due to the depreciation of the yen against the U.S. dollar toward the end of the term, while equity affiliates losses also decreased by ¥1.4 billion (US\$11 million) due to the recovery of profit margins by the affiliated company that manufactures memory devices. Overall, non-operating income and expenses improved appreciably by ¥11.9 billion (US\$97 million) from the year-ago period. Consequently, income before income taxes totaled ¥98.4 billion (US\$800 million), an increase of 40.4%. Additionally, net income soared 53.4% to ¥57.5 billion (US\$467 million).

Basic net income per share for the third quarter was ¥65.54 (US\$0.53), a ¥22.77 (US\$0.19) increase from the same period of the previous year.

Results by Product Segment

In the business machine segment, the company's strong lineup of 16 to 105 copy-per-minute digital black-and-white copying machines, completed in the previous year, fueled copying machine sales growth of 2.9%. In particular, the iR5000/6000 series, iR1600/2000 series and iR2200/2800/3300 series models continued to record healthy sales during the quarter. In the field of computer peripherals, sales of laser beam printers showed a substantial recovery due to completion of inventory adjustment by our OEM partner, while sales of Bubble Jet printers grew owing to the introduction of new products. As a result, sales of computer peripherals increased by 4.7%. Within the business systems sub-segment, including facsimile machines, micrographics and calculators, facsimile machine sales grew steadily in the face of continued severe price competition in the market, supported by strong sales of multifunction-system models. Declining domestic computer sales, however, resulted in a 13.3% decrease in sales of business systems. Consequently, sales of business machines overall totaled ¥521.1 billion (US\$4,236 million), a 1.5% year-on-year increase for the quarter. Cost-cutting measures and strong sales of price-competitive mid-range and high-end copying machines and Bubble Jet printers, along with increased sales volume for major products, favorably affected the operating profit ratio. As a result, operating profit for business machines in the third quarter of 2002 was ¥103.5 billion (US\$841 million), a considerable increase of 25.5% year on year.

In the camera sector, while demand for 35mm and Advanced Photo System cameras slipped under the effects of price competition and the increasing popularity of digital cameras, the digital camera market continued to show rapid growth. The strong sales achieved by Canon's digital camera lineup of PowerShot-series and ultra-compact IXY DIGITAL-series models, further bolstered by seven new products launched during the first half of 2002 and the successful introduction of the EOS D60, a new 6.3-megapixel digital SLR camera that features a newly developed large-area CMOS sensor, contributed to a significant increase in sales for the period. Also supported by substantial growth in digital video camcorder sales in all regions, especially of new products released this year, camera sales overall continued to achieve significant growth of 32.8% for the quarter to ¥115.9 billion (US\$942 million). Operating profit for the camera segment appreciably advanced 89.9% to ¥20.2 billion (US\$164 million), attributable to the rapid growth in sales of digital cameras and video camcorders, and an improved profit ratio realized through cost-cutting activities.

Sales of optical and other products decreased by 28.4% to ¥57.0 billion (US\$464 million) due to a drop in demand for semiconductor-production equipment, reflecting restrained capital expenditure by memory device manufacturers. Optical and other products, which recorded an operating profit of ¥12.8 billion in the third quarter 2001, suffered operating losses of ¥2.9 billion (US\$24 million) during this three-month period.

Cash Flow

Between January 1 and September 30, 2002, despite a decrease in net income, Canon recorded cash flow from operating activities of ¥314.4 billion (US\$2,556 million), an increase of ¥89.8 billion (US\$730 million) from the corresponding period for the previous year. Efforts to reduce working capital offset the negative impact of the drop in net income. Capital expenditure totaled ¥144.2 billion (US\$1,172 million), used mainly for the development of the company's headquarters facilities and construction of a new factory for manufacturing copying machines in Suzhou, China. Cash flow from investing activities totaled ¥169.7 billion (US\$1,379 million), including payment of ¥16.9 billion (US\$137 million) for the purchase of outstanding stock of Canon System and Support Inc., Canon N.T.C., Inc. and Canon (Schweiz) AG from their minority shareholders to realize full ownership of the three subsidiaries. As a result, free cash flow, or cash flow from operating activities minus cash flow from investing activities, totaled positive ¥144.7 billion (US\$1,176 million).

Cash flow from financing activities recorded an outlay of ¥162.3 billion (US\$1,320 million), mainly resulting from active efforts to repay short-term loans toward improving the company's financial position. Cash and cash equivalents, which totaled ¥484.0 billion (US\$3,935 million), remained at a high level, although representing a ¥22.3 billion (US\$181 million) decrease from the end of the previous year.

Outlook

Regarding the outlook for the global economy from the fourth quarter, in the United States, deteriorating business confidence has contributed to continued sluggish business investment while anxiety over falling corporate earnings and the likelihood of a strike against Iraq have fueled a decline in stock prices. These factors have led to uncertainty regarding prospects of a recovery. In Japan, personal consumption is not expected to rise rapidly owing to the severe climate surrounding employment and personal income, while export sales would also be negatively affected by a delayed recovery of the U.S. economy. The overall feeling of economic stagnation will probably continue. In Europe, although some countries have shown preliminary signs of a recovery, overall, the slowdown of Germany's economy will likely delay the pace of recovery in the region. In Asia, moderate economic growth is anticipated in the fourth quarter of 2002, restrained by the delay of an economic recovery in the U.S. and Japan.

In the industries in which Canon participates, stable demand is projected for monochrome and full-color digital multifunction copying machines, and the digital camera market is also expected to continue expanding. Within the semiconductor-production equipment market, restrained capital investment by memory device manufacturers will likely continue during the fourth quarter.

Significant changes in currency exchange rates are not predicted and, for the year, the yen is expected to remain at approximately the same level against the U.S. dollar as last year while weakening slightly against the euro.

In view of the third-quarter results and the current market and currency exchange environments, Canon has revised upwards its earnings forecast for the Canon Group in 2002 and now anticipates consolidated income before income taxes of ¥300.0 billion (US\$2,439 million), and consolidated net income of ¥175.0 billion (US\$1,423 million). The forecast for consolidated net sales remains unchanged at ¥2,910.0 billion (US\$23,659 million). The company has also revised upwards its non-consolidated forecasts and projects non-consolidated net sales of ¥1,767.0 billion (US\$14,366 million), non-consolidated ordinary profit of ¥220.0 billion (US\$1,789 million), and non-consolidated net income of ¥132.0 billion (US\$1,073 million). These forecasts assume currency exchange rates for the remainder of 2002 of ¥120.00 to the U.S. dollar and ¥118.00 to the euro.

Consolidated Outlook

Fiscal year

	Millions of yen					
	Year ending December 31, 2002			Change (B - A)	Year ended December 31, 2001	
	Previous Outlook (A)	Revised Outlook (B)	Results (C)		Change (%) (B / C)	
Net sales	¥ 2,910,000	¥ 2,910,000	¥ 0	¥ 2,907,573	+	0.1
Income before income taxes	288,000	300,000	12,000	281,566	+	6.5
Net income	168,000	175,000	7,000	167,561	+	4.4

Non-consolidated Outlook

Fiscal year

	Millions of yen					
	Year ending December 31, 2002			Change (B - A)	Year ended December 31, 2001	
	Previous Outlook (A)	Revised Outlook (B)	Results (C)		Change (%) (B / C)	
Net sales	¥ 1,723,000	¥ 1,767,000	¥ 44,000	¥ 1,707,459	+	3.5
Ordinary profit	215,000	220,000	5,000	211,127	+	4.2
Net income	131,000	132,000	1,000	39,163	+	237.1

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

1. CONSOLIDATED STATEMENTS OF INCOME**Results for the third quarter**

	Millions of yen			Thousands of U.S. dollars
	Three months ended	Three months ended	Change(%)	Three months ended
	September 30, 2002 (Unaudited)	September 30, 2001 (Unaudited)		September 30, 2002 (Unaudited)
Net sales	¥ 693,982	¥ 680,281	+ 2.0	\$ 5,642,130
Cost of sales	361,640	372,763		2,940,163
Gross profit	332,342	307,518	+ 8.1	2,701,967
Selling, general and administrative expenses	239,612	231,192		1,948,065
Operating profit	92,730	76,326	+ 21.5	753,902
Other income (deductions):				
Interest and dividend income	2,321	1,984		18,870
Interest expense	(1,532)	(2,522)		(12,455)
Other, net	4,857	(5,697)		39,488
	5,646	(6,235)		45,903
Income before income taxes	98,376	70,091	+ 40.4	799,805
Income taxes	39,388	30,885		320,228
Income before minority interests	58,988	39,206		479,577
Minority interests	1,524	1,736		12,390
Net income	¥ 57,464	¥ 37,470	+ 53.4	\$ 467,187

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 losses on derivative financial instruments. Comprehensive income for three months ended September 30, 2002 and 2001 were JPY63,548 million (US\$516,650 thousand) and JPY32,328 million, respectively.

Results for the nine months

	Millions of yen			Thousands of U.S. dollars
	Nine months ended	Nine months ended	Change(%)	Nine months ended
	September 30, 2002 (Unaudited)	September 30, 2001 (Unaudited)		September 30, 2002 (Unaudited)
Net sales	¥ 2,078,465	¥ 2,154,256	- 3.5	\$ 16,898,089
Cost of sales	1,095,861	1,199,571		8,909,439
Gross profit	982,604	954,685	+ 2.9	7,988,650
Selling, general and administrative expenses	749,846	714,719		6,096,309
Operating profit	232,758	239,966	- 3.0	1,892,341
Other income (deductions):				
Interest and dividend income	7,055	7,623		57,358
Interest expense	(5,014)	(8,249)		(40,764)
Other, net	(9,228)	(627)		(75,024)
	(7,187)	(1,253)		(58,430)
Income before income taxes	225,571	238,713	- 5.5	1,833,911
Income taxes	90,927	101,850		739,244
Income before minority interests	134,644	136,863		1,094,667
Minority interests	3,975	3,022		32,317
Income before cumulative effect of change in accounting principle	130,669	133,841	- 2.4	1,062,350
Cumulative effect of change in accounting principle	-	3,692		-
Net income	¥ 130,669	¥ 137,533	- 5.0	\$ 1,062,350

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 losses on derivative financial instruments. Comprehensive income for nine months ended September 30, 2002 and 2001 were JPY116,918 million (US\$950,553 thousand) and JPY141,663 million, respectively.

2. DETAILS OF SALESResults for the third quarter

Sales by product	Millions of yen			Thousands of U.S. dollars
	Three months ended September 30, 2002 (Unaudited)	Three months ended September 30, 2001 (Unaudited)	Change(%)	Three months ended September 30, 2002 (Unaudited)
	Business machines:			
<i>Copying machines</i>	¥ 216,622	¥ 210,425	+ 2.9	\$ 1,761,155
<i>Computer peripherals</i>	242,904	232,049	+ 4.7	1,974,829
<i>Business systems</i>	61,557	70,966	- 13.3	500,463
	521,083	513,440	+ 1.5	4,236,447
Cameras	115,882	87,239	+ 32.8	942,130
Optical and other products	57,017	79,602	- 28.4	463,553
Total	¥ 693,982	¥ 680,281	+ 2.0	\$ 5,642,130

Sales by region	Millions of yen			Thousands of U.S. dollars
	Three months ended September 30, 2002 (Unaudited)	Three months ended September 30, 2001 (Unaudited)	Change(%)	Three months ended September 30, 2002 (Unaudited)
	Japan	¥ 169,171	¥ 200,757	- 15.7
Overseas:				
<i>Americas</i>	245,322	233,550	+ 5.0	1,994,488
<i>Europe</i>	192,262	175,082	+ 9.8	1,563,106
<i>Other areas</i>	87,227	70,892	+ 23.0	709,162
	524,811	479,524	+ 9.4	4,266,756
Total	¥ 693,982	¥ 680,281	+ 2.0	\$ 5,642,130

Results for the nine months

Sales by product	Millions of yen			Thousands of U.S. dollars
	Nine months ended September 30, 2002 (Unaudited)	Nine months ended September 30, 2001 (Unaudited)	Change(%)	Nine months ended September 30, 2002 (Unaudited)
	Business machines:			
<i>Copying machines</i>	¥ 689,053	¥ 645,689	+ 6.7	\$ 5,602,057
<i>Computer peripherals</i>	702,359	775,494	- 9.4	5,710,236
<i>Business systems</i>	201,354	230,487	- 12.6	1,637,024
	1,592,766	1,651,670	- 3.6	12,949,317
Cameras	327,274	262,202	+ 24.8	2,660,764
Optical and other products	158,425	240,384	- 34.1	1,288,008
Total	¥ 2,078,465	¥ 2,154,256	- 3.5	\$ 16,898,089

Sales by region	Millions of yen			Thousands of U.S. dollars
	Nine months ended September 30, 2002 (Unaudited)	Nine months ended September 30, 2001 (Unaudited)	Change(%)	Nine months ended September 30, 2002 (Unaudited)
	Japan	¥ 530,309	¥ 620,644	- 14.6
Overseas:				
<i>Americas</i>	708,094	724,274	- 2.2	5,756,862
<i>Europe</i>	598,879	584,293	+ 2.5	4,868,935
<i>Other areas</i>	241,183	225,045	+ 7.2	1,960,837
	1,548,156	1,533,612	+ 0.9	12,586,634
Total	¥ 2,078,465	¥ 2,154,256	- 3.5	\$ 16,898,089

3. SEGMENT INFORMATION BY PRODUCT

Results for the third quarter	Millions of yen			Thousands of U.S. dollars	
	Three months ended September 30, 2002 (Unaudited)	Three months ended September 30, 2001 (Unaudited)	Change(%)	Three months ended September 30, 2002 (Unaudited)	
Business machines					
Net sales:					
Unaffiliated customers	¥ 521,083	¥ 513,440	+ 1.5	\$ 4,236,447	
Intersegment	-	-	-	-	
Total	521,083	513,440	+ 1.5	4,236,447	
Operating cost and expenses	417,630	431,002	- 3.1	3,395,366	
Operating profit	103,453	82,438	+ 25.5	841,081	
Cameras					
Net sales:					
Unaffiliated customers	¥ 115,882	¥ 87,239	+ 32.8	\$ 942,130	
Intersegment	-	-	-	-	
Total	115,882	87,239	+ 32.8	942,130	
Operating cost and expenses	95,714	76,617	+ 24.9	778,163	
Operating profit	20,168	10,622	+ 89.9	163,967	
Optical and other products					
Net sales:					
Unaffiliated customers	¥ 57,017	¥ 79,602	- 28.4	\$ 463,553	
Intersegment	39,101	29,219	+ 33.8	317,894	
Total	96,118	108,821	- 11.7	781,447	
Operating cost and expenses	99,042	96,052	+ 3.1	805,219	
Operating profit	(2,924)	12,769	-	(23,772)	
Corporate and Eliminations					
Net sales:					
Unaffiliated customers	¥ -	¥ -	-	\$ -	
Intersegment	(39,101)	(29,219)	-	(317,894)	
Total	(39,101)	(29,219)	-	(317,894)	
Operating cost and expenses	(11,134)	284	-	(90,520)	
Operating profit	(27,967)	(29,503)	-	(227,374)	
Consolidated					
Net sales:					
Unaffiliated customers	¥ 693,982	¥ 680,281	+ 2.0	\$ 5,642,130	
Intersegment	-	-	-	-	
Total	693,982	680,281	+ 2.0	5,642,130	
Operating cost and expenses	601,252	603,955	- 0.4	4,888,228	
Operating profit	92,730	76,326	+ 21.5	753,902	

Note: General corporate expenses of JPY27,919 million (US\$226,984 thousand) and JPY29,444 million in the three months ended September 30, 2002 and 2001, respectively, are included in "Corporate and Eliminations."

Results for the nine months

	Millions of yen			Change(%)	Thousands of
	Nine months ended September 30, 2002 (Unaudited)	Nine months ended September 30, (Unaudited)			U.S. dollars Nine months ended September 30, 2002 (Unaudited)
Business machines					
Net sales:					
Unaffiliated customers	¥ 1,592,766	¥ 1,651,670	- 3.6	\$	12,949,317
Intersegment	-	-	-		-
Total	1,592,766	1,651,670	- 3.6		12,949,317
Operating cost and expenses	1,311,462	1,382,258	- 5.1		10,662,293
Operating profit	281,304	269,412	+ 4.4		2,287,024
Cameras					
Net sales:					
Unaffiliated customers	¥ 327,274	¥ 262,202	+ 24.8	\$	2,660,764
Intersegment	-	-	-		-
Total	327,274	262,202	+ 24.8		2,660,764
Operating cost and expenses	279,051	236,276	+ 18.1		2,268,707
Operating profit	48,223	25,926	+ 86.0		392,057
Optical and other products					
Net sales:					
Unaffiliated customers	¥ 158,425	¥ 240,384	- 34.1	\$	1,288,008
Intersegment	102,360	91,384	+ 12.0		832,195
Total	260,785	331,768	- 21.4		2,120,203
Operating cost and expenses	272,200	302,955	- 10.2		2,213,008
Operating profit	(11,415)	28,813	-		(92,805)
Corporate and Eliminations					
Net sales:					
Unaffiliated customers	¥ -	¥ -	-	\$	-
Intersegment	(102,360)	(91,384)	-		(832,195)
Total	(102,360)	(91,384)	-		(832,195)
Operating cost and expenses	(17,006)	(7,199)	-		(138,260)
Operating profit	(85,354)	(84,185)	-		(693,935)
Consolidated					
Net sales:					
Unaffiliated customers	¥ 2,078,465	¥ 2,154,256	- 3.5	\$	16,898,089
Intersegment	-	-	-		-
Total	2,078,465	2,154,256	- 3.5		16,898,089
Operating cost and expenses	1,845,707	1,914,290	- 3.6		15,005,748
Operating profit	232,758	239,966	- 3.0		1,892,341

Note: General corporate expenses of JPY85,285 million (US\$693,374 thousand) and JPY84,173 million in the nine months ended September 30, 2002 and 2001, respectively, are included in "Corporate and Eliminations."

4. CONSOLIDATED BALANCE SHEETS

	Millions of yen			Thousands of U.S. dollars
	As of September 30, 2002	As of December 31, 2001	Change	As of September 30, 2002
	(Unaudited)	(Audited)		(Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 483,973	¥ 506,234	¥ (22,261)	\$ 3,934,740
Marketable securities	8,303	4,772	3,531	67,504
Trade receivables, less allowance	430,286	456,635	(26,349)	3,498,260
Inventories	474,904	448,300	26,604	3,861,008
Prepaid expenses and other current assets	238,812	214,353	24,459	1,941,561
Total current assets	1,636,278	1,630,294	5,984	13,303,073
Noncurrent receivables and restricted funds	20,656	21,125	(469)	167,935
Investments	64,215	66,168	(1,953)	522,073
Net property, plant and equipment	824,099	821,125	2,974	6,699,992
Other assets	306,110	306,044	66	2,488,699
Total assets	¥ 2,851,358	¥ 2,844,756	¥ 6,602	\$ 23,181,772
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term loans	¥ 84,087	¥ 200,104	¥ (116,017)	\$ 683,634
Trade payables	405,361	354,446	50,915	3,295,618
Income taxes	48,677	65,324	(16,647)	395,748
Accrued expenses	170,904	157,335	13,569	1,389,463
Other current liabilities	78,254	76,974	1,280	636,212
Total current liabilities	787,283	854,183	(66,900)	6,400,675
Long-term debt, excluding current installments	80,761	95,526	(14,765)	656,593
Accrued pension and severance cost	252,380	237,537	14,843	2,051,870
Other noncurrent liabilities	20,658	17,645	3,013	167,951
Total liabilities	1,141,082	1,204,891	(63,809)	9,277,089
Minority interests	157,438	181,389	(23,951)	1,279,984
Stockholders' equity:				
Common stock	165,702	165,287	415	1,347,171
Additional paid-in capital	394,796	392,456	2,340	3,209,724
Retained earnings	1,143,186	1,036,178	107,008	9,294,195
Accumulated other comprehensive income (loss)	(148,919)	(135,168)	(13,751)	(1,210,724)
Treasury stock	(1,927)	(277)	(1,650)	(15,667)
Total stockholders' equity	1,552,838	1,458,476	94,362	12,624,699
Total liabilities and stockholders' equity	¥ 2,851,358	¥ 2,844,756	¥ 6,602	\$ 23,181,772

	Millions of yen		Thousands of U.S. dollars
	As of September 30, 2002	As of December 31, 2001	As of September 30, 2002
	(Unaudited)	(Audited)	(Unaudited)
Allowance for doubtful receivables	¥ 11,848	¥ 11,091	\$ 96,325
Accumulated depreciation	1,077,370	1,025,107	8,759,106
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(67,135)	(52,660)	(545,813)
Net unrealized gains (losses) on securities	(1,045)	564	(8,496)
Minimum pension liability adjustments	(79,393)	(80,649)	(645,472)
Net losses on derivative financial instruments	(1,346)	(2,423)	(10,943)

5. CONSOLIDATED STATEMENTS OF CASH FLOWSResults for the nine months

	Millions of yen		Thousands of U.S. dollars
	Nine months ended September 30, 2002 (Unaudited)	Nine months ended September 30, (Unaudited)	Nine months ended September 30, 2002 (Unaudited)
	¥	¥	\$
Net income	130,669	137,533	1,062,350
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	116,283	108,911	945,390
Loss on disposal of property, plant and equipment	14,121	9,537	114,805
Gain on securities contributed to retirement benefit trust	-	(15,536)	-
Deferred income taxes	6,370	1,382	51,789
Decrease in trade receivables	19,153	42,972	155,715
Increase in inventories	(30,698)	(4,075)	(249,577)
Increase (decrease) in trade payables	60,999	(75,553)	495,927
Increase (decrease) in income taxes	(16,552)	5,848	(134,569)
Increase (decrease) in accrued expenses	20,045	(6,507)	162,967
Other, net	(6,017)	20,070	(48,919)
Net cash provided by operating activities	314,373	224,582	2,555,878
Cash flows from investing activities:			
Capital expenditure	(144,201)	(148,483)	(1,172,366)
Proceeds from sale of property, plant and equipment	7,850	5,200	63,821
Payment for purchase of marketable securities	(3,574)	(9,532)	(29,057)
Proceeds from sale of marketable securities	663	9,244	5,390
Payment for purchase of investments	(22,596)	(2,108)	(183,707)
Other	(7,816)	6,679	(63,544)
Net cash used in investing activities	(169,674)	(139,000)	(1,379,463)
Cash flows from financing activities:			
Proceeds from long-term debt	3,132	6,206	25,463
Repayment of long-term debt	(34,991)	(33,139)	(284,480)
Decrease in short-term loans	(98,484)	(67,662)	(800,683)
Dividends paid	(23,663)	(20,144)	(192,382)
Other	(8,335)	(3,251)	(67,764)
Net cash used in financing activities	(162,341)	(117,990)	(1,319,846)
Effect of exchange rate changes on cash and cash equivalents	(4,619)	(8,114)	(37,553)
Net change in cash and cash equivalents	(22,261)	(40,522)	(180,984)
Cash and cash equivalents at beginning of period	506,234	493,962	4,115,724
Cash and cash equivalents at end of period	¥ 483,973	¥ 453,440	\$ 3,934,740

6. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) NUMBER OF GROUP COMPANIES

	September 30, 2002	December 31, 2001	Change
Subsidiaries	194	203	(9)
Affiliates	20	21	(1)
Total	214	224	(10)

CHANGES IN GROUP OF ENTITIES

Subsidiaries

Addition: Ueno Canon Materials Inc. and 18 other companies

Removal: 20 regional sales subsidiaries of Canon System & Support Inc. and 8 other companies

Affiliates (Carried at Equity Basis)

Addition: 2 companies

Removal: 3 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.

We have engaged KPMG to complete a review of the consolidated financial statements as of and for nine months ended September 30, 2002, in accordance with Statement of Auditing Standards No.71, "Interim Financial Information", established by the American Institute of Certified Public Accountants.

CONSOLIDATED RESULTS FOR THE THIRD QUARTER
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2002
SUPPLEMENTARY REPORT

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[NOTES]

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

1. SALES BY REGION AND PRODUCT

(Millions of yen)

	2002			2001			Change year over year		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year	3rd quarter	4th quarter	Year
Japan									
Business machines	123,246	155,560	552,000	136,167	156,593	597,582	-9.5%	-0.7%	-7.6%
Copying machines	60,219	64,630	253,300	61,315	63,463	251,529	-1.8%	+1.8%	+0.7%
Computer peripherals	30,518	53,770	154,400	31,088	51,374	160,528	-1.8%	+4.7%	-3.8%
Business systems	32,509	37,160	144,300	43,764	41,756	185,525	-25.7%	-11.0%	-22.2%
Cameras	22,619	29,712	95,600	22,533	26,601	89,509	+0.4%	+11.7%	+6.8%
Optical and other products	23,306	27,819	95,800	42,057	23,450	140,197	-44.6%	+18.6%	-31.7%
Total	169,171	213,091	743,400	200,757	206,644	827,288	-15.7%	+3.1%	-10.1%
Overseas									
Business machines	397,837	457,674	1,654,000	377,273	415,226	1,625,907	+5.5%	+10.2%	+1.7%
Copying machines	156,403	184,017	684,400	149,110	182,662	640,285	+4.9%	+0.7%	+6.9%
Computer peripherals	212,386	239,171	840,900	200,961	198,484	864,824	+5.7%	+20.5%	-2.8%
Business systems	29,048	34,486	128,700	27,202	34,080	120,798	+6.8%	+1.2%	+6.5%
Cameras	93,263	118,114	379,500	64,706	92,564	291,858	+44.1%	+27.6%	+30.0%
Optical and other products	33,711	42,656	133,100	37,545	38,883	162,520	-10.2%	+9.7%	-18.1%
Total	524,811	618,444	2,166,600	479,524	546,673	2,080,285	+9.4%	+13.1%	+4.1%
Americas									
Business machines	194,850	207,340	774,800	192,704	202,416	805,051	+1.1%	+2.4%	-3.8%
Copying machines	83,460	84,316	340,700	81,226	95,477	335,209	+2.8%	-11.7%	+1.6%
Computer peripherals	97,964	107,506	375,600	100,352	93,110	420,753	-2.4%	+15.5%	-10.7%
Business systems	13,426	15,518	58,500	11,126	13,829	49,089	+20.7%	+12.2%	+19.2%
Cameras	42,588	52,803	170,700	28,357	44,910	132,523	+50.2%	+17.6%	+28.8%
Optical and other products	7,884	9,263	32,000	12,489	10,504	44,530	-36.9%	-11.8%	-28.1%
Total	245,322	269,406	977,500	233,550	257,830	982,104	+5.0%	+4.5%	-0.5%
Europe									
Business machines	153,453	197,519	676,700	140,012	171,794	638,563	+9.6%	+15.0%	+6.0%
Copying machines	59,189	85,528	285,500	55,248	73,700	253,635	+7.1%	+16.0%	+12.6%
Computer peripherals	81,925	96,014	333,900	71,541	80,875	325,412	+14.5%	+18.7%	+2.6%
Business systems	12,339	15,977	57,300	13,223	17,219	59,516	-6.7%	-7.2%	-3.7%
Cameras	35,320	51,905	155,700	27,379	37,405	124,265	+29.0%	+38.8%	+25.3%
Optical and other products	3,489	9,497	25,400	7,691	12,612	43,276	-54.6%	-24.7%	-41.3%
Total	192,262	258,921	857,800	175,082	221,811	806,104	+9.8%	+16.7%	+6.4%
Other areas									
Business machines	49,534	52,815	202,500	44,557	41,016	182,293	+11.2%	+28.8%	+11.1%
Copying machines	13,754	14,173	58,200	12,636	13,485	51,441	+8.8%	+5.1%	+13.1%
Computer peripherals	32,497	35,651	131,400	29,068	24,499	118,659	+11.8%	+45.5%	+10.7%
Business systems	3,283	2,991	12,900	2,853	3,032	12,193	+15.1%	-1.4%	+5.8%
Cameras	15,355	13,406	53,100	8,970	10,249	35,070	+71.2%	+30.8%	+51.4%
Optical and other products	22,338	23,896	75,700	17,365	15,767	74,714	+28.6%	+51.6%	+1.3%
Total	87,227	90,117	331,300	70,892	67,032	292,077	+23.0%	+34.4%	+13.4%
Total									
Business machines	521,083	613,234	2,206,000	513,440	571,819	2,223,489	+1.5%	+7.2%	-0.8%
Copying machines	216,622	248,647	937,700	210,425	246,125	891,814	+2.9%	+1.0%	+5.1%
Computer peripherals	242,904	292,941	995,300	232,049	249,858	1,025,352	+4.7%	+17.2%	-2.9%
Business systems	61,557	71,646	273,000	70,966	75,836	306,323	-13.3%	-5.5%	-10.9%
Cameras	115,882	147,826	475,100	87,239	119,165	381,367	+32.8%	+24.1%	+24.6%
Optical and other products	57,017	70,475	228,900	79,602	62,333	302,717	-28.4%	+13.1%	-24.4%
Total	693,982	831,535	2,910,000	680,281	753,317	2,907,573	+2.0%	+10.4%	+0.1%

(P)=Projection

2. SALES COMPOSITION BY PRODUCT

	2002			2001		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year
Copying machines						
Monochrome	82%	82%	82%	81%	81%	81%
Color	18%	18%	18%	19%	19%	19%
Digital*	89%	-	-	88%	85%	84%
Analog*	11%	-	-	12%	15%	16%
Computer peripherals						
Laser beam printers	75%	69%	70%	73%	62%	71%
Bubble Jet printers	22%	27%	26%	23%	34%	25%
Others	3%	4%	4%	4%	4%	4%
Business systems						
Facsimiles	44%	45%	44%	35%	40%	36%
Personal computers	45%	44%	45%	55%	48%	54%
Others	11%	11%	11%	10%	12%	10%
Cameras						
Film cameras / Lenses	30%	27%	31%	45%	42%	46%
Digital cameras	44%	50%	45%	33%	39%	33%
Video camcorders	26%	23%	24%	22%	19%	21%
Optical and other products						
Semiconductor production equipment	46%	62%	50%	62%	57%	59%
Others	54%	38%	50%	38%	43%	41%

*Among office-use monochrome models (body only)

3. SALES GROWTH IN LOCAL CURRENCY

	2002		
	Change year over year		
	3rd quarter	4th quarter(P)	Year (P)
Business machines			
Japan	-9.5%	-0.7%	-7.6%
Overseas	+4.3%	+9.9%	-2.0%
Total	+0.6%	+7.0%	-3.5%
Cameras			
Japan	+0.4%	+11.7%	+6.8%
Overseas	+41.4%	+26.0%	+25.1%
Total	+30.8%	+22.8%	+20.8%
Optical and other products			
Japan	-44.6%	+18.6%	-31.7%
Overseas	-10.5%	+9.9%	-19.5%
Total	-28.5%	+13.2%	-25.1%
Total			
Japan	-15.7%	+3.1%	-10.1%
Overseas	+8.1%	+12.6%	+0.4%
Americas	+7.1%	+7.5%	-2.3%
Europe	+3.2%	+11.1%	-0.1%
Others	+23.8%	+36.8%	+11.2%
Total	+1.1%	+10.0%	-2.6%

4. SEGMENT INFORMATION BY PRODUCT

(Millions of yen)

	2002			2001			Change year over year		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year	3rd quarter	4th quarter	Year
Business machines									
Unaffiliated customers	521,083	613,234	2,206,000	513,440	571,819	2,223,489	+1.5%	+7.2%	-0.8%
Intersegment	-	-	-	-	-	-	-	-	-
Total sales	521,083	613,234	2,206,000	513,440	571,819	2,223,489	+1.5%	+7.2%	-0.8%
Operating profit	103,453	102,196	383,500	82,438	65,506	334,918	+25.5%	+56.0%	+14.5%
% of sales	19.9%	16.7%	17.4%	16.1%	11.5%	15.1%	-	-	-
Cameras									
Unaffiliated customers	115,882	147,826	475,100	87,239	119,165	381,367	+32.8%	+24.1%	+24.6%
Intersegment	-	-	-	-	-	-	-	-	-
Total sales	115,882	147,826	475,100	87,239	119,165	381,367	+32.8%	+24.1%	+24.6%
Operating profit	20,168	18,177	66,400	10,622	10,218	36,144	+89.9%	+77.9%	+83.7%
% of sales	17.4%	12.3%	14.0%	12.2%	8.6%	9.5%	-	-	-
Optical and other products									
Unaffiliated customers	57,017	70,475	228,900	79,602	62,333	302,717	-28.4%	+13.1%	-24.4%
Intersegment	39,101	37,040	139,400	29,219	25,364	116,748	+33.8%	+46.0%	+19.4%
Total sales	96,118	107,515	368,300	108,821	87,697	419,465	-11.7%	+22.6%	-12.2%
Operating profit	-2,924	1,915	-9,500	12,769	-4,963	23,850	-	-	-
% of sales	-3.0%	1.8%	-2.6%	11.7%	-5.7%	5.7%	-	-	-
Corporate and Eliminations									
Unaffiliated customers	-	-	-	-	-	-	-	-	-
Intersegment	-39,101	-37,040	-139,400	-29,219	-25,364	-116,748	-	-	-
Total sales	-39,101	-37,040	-139,400	-29,219	-25,364	-116,748	-	-	-
Operating profit	-27,967	-35,046	-120,400	-29,503	-28,888	-113,073	-	-	-
Consolidated									
Unaffiliated customers	693,982	831,535	2,910,000	680,281	753,317	2,907,573	+2.0%	+10.4%	+0.1%
Intersegment	-	-	-	-	-	-	-	-	-
Total sales	693,982	831,535	2,910,000	680,281	753,317	2,907,573	+2.0%	+10.4%	+0.1%
Operating profit	92,730	87,242	320,000	76,326	41,873	281,839	+21.5%	+108.3%	+13.5%
% of sales	13.4%	10.5%	11.0%	11.2%	5.6%	9.7%	-	-	-

5. OTHER INCOME (DEDUCTIONS)

(Millions of yen)

	2002			2001			Change year over year		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year	3rd quarter	4th quarter	Year
Interest & dividend, net	789	759	2,800	-538	-515	-1,141	+1,327	+1,274	+3,941
Forex gain / loss	3,044	-5,771	-20,900	-5,072	3,417	-14,801	+8,116	-9,188	-6,099
Equity earnings / loss of affiliated companies	-862	-1,038	-3,700	-2,264	-1,293	-1,845	+1,402	+255	-1,855
Others, net	2,675	-6,763	1,800	1,639	-629	17,514	+1,036	-6,134	-15,714
Total	5,646	-12,813	-20,000	-6,235	980	-273	+11,881	-13,793	-19,727

6. PROFITABILITY

	2002			2001		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year
ROE	15.1%	11.3%	11.5%	10.6%	8.3%	12.2%
ROA	8.2%	6.2%	6.1%	5.4%	4.3%	5.9%

7. IMPACT OF FOREIGN EXCHANGE RATES

(1) Exchange rates

(Yen)

	2002			2001		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year
Yen/US\$	119.31	120.00	124.05	121.69	123.53	121.60
Yen/Euro	117.38	118.00	117.08	108.27	110.57	108.80

(2) Impact of foreign exchange rates on sales

(Billions of yen)

	2002		
	3rd quarter	4th quarter(P)	Year (P)
US\$	-6.6	-10.6	+23.3
Euro	+12.3	+13.6	+50.6
Other currencies	+0.6	-0.1	+3.2
Total	+6.3	+2.9	+77.1

(3) Impact of foreign exchange rates per yen

(Billions of yen)

	2002
	4th quarter(P)
On sales	
US\$	3.0
Euro	1.8
On operating profit	
US\$	1.3
Euro	1.3

8. CASH FLOWS

(Millions of yen)

	2002			2001		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year
Net cash provided by operating activities						
Net income	57,464	44,331	175,000	37,470	30,028	167,561
Depreciation and amortization	44,338	43,717	160,000	38,577	43,389	152,300
Other, net	9,654	2,579	70,000	-29,645	7,753	-14,109
Total	111,456	90,627	405,000	46,402	81,170	305,752
Net cash used in investing activities	-39,008	-60,326	-230,000	-32,376	-53,592	-192,592
Free cash flow	72,448	30,301	175,000	14,026	27,578	113,160
Net cash provided by (used in) financing activities	-42,408	-25,659	-188,000	-48,328	-3,238	-121,228
Effect of exchange rate changes on cash & cash equivalents	8,727	985	-3,634	485	28,454	20,340
Net change in cash and cash equivalents	38,767	5,627	-16,634	-33,817	52,794	12,272
Cash and cash equivalents at end of each period	483,973	489,600	489,600	453,440	506,234	506,234

9. CAPITAL EXPENDITURE & DEPRECIATION AND AMORTIZATION

(Millions of yen)

	2002			2001		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year
Capital expenditure	39,295	60,799	205,000	43,167	59,191	207,674
Depreciation and amortization	44,338	43,717	160,000	38,577	43,389	152,300

10. R&D EXPENDITURE

(Millions of yen)

	2002			2001		
	3rd quarter	4th quarter(P)	Year (P)	3rd quarter	4th quarter	Year
Business machines	25,059	-	-	24,279	29,422	108,150
Cameras	6,176	-	-	5,279	6,399	22,527
Optical and other products	22,273	-	-	21,711	24,332	87,939
Total	53,508	65,917	230,000	51,269	60,153	218,616
% of sales	7.7%	7.9%	7.9%	7.5%	8.0%	7.5%

11. INVENTORIES

(1) Inventories

(Millions of yen)

	2002	2001	Change
	Sep.30	Dec.31	
Business machines	280,763	287,064	-6,301
Cameras	64,850	49,325	+15,525
Optical and other products	129,291	111,911	+17,380
Total	474,904	448,300	+26,604

(2) Inventories/Sales*

(Days)

	2002	2001	Change
	Sep.30	Dec.31	
Business machines	48	48	0
Cameras	49	44	+5
Optical and other products	214	144	+70
Total	61	57	+4

*Index based on the previous six months sales.

12. DEBT RATIO

	2002	2001	Difference
	Sep.30	Dec.31	
Total debt / Total assets	5.8%	10.4%	-4.6%

13. OVERSEAS PRODUCTION RATIO

	2002	2001
	1st-3rd quarter	Year
Overseas production ratio	39%	35%

14. NUMBER OF EMPLOYEES

	2002	2001	Change
	Sep.30	Dec.31	
Japan	44,712	44,809	-97
Overseas	52,611	48,811	+3,800
Total	97,323	93,620	+3,703