



CANON ELECTRONICS INC.

ANNUAL REPORT 2003 (Unaudited)

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	2003	2002
Net sales	¥	¥	\$	\$
Business Machines	56,049	55,488	523,820	518,582
Others	22,419	17,908	209,530	167,365
Total	78,468	73,396	733,350	685,947
Net Income	5,101	1,938	47,676	18,115
Net income per common share				
assuming no dilution	184.29	70.12	1.72	0.66
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	2003	2002
Total assets	¥	¥	\$	\$
	46,573	44,027	435,261	411,469
Stockholders' equity	22,856	18,200	213,609	170,096

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	2003	2002
Net sales	¥	¥	\$	\$
	78,468	73,396	733,350	685,947
Cost of sales	63,605	61,297	594,441	572,870
Gross profit	14,863	12,099	138,909	113,077
Selling, general and administrative expenses	7,708	7,517	72,040	70,256
Operating profit	7,155	4,582	66,869	42,821
Other income				
Interest and dividends	7	9	65	80
Exchange gains	-	-	-	-
Gain on return of substituted portion of the governmental welfare pension program	1,962	-	18,336	-
Other	130	201	1,211	1,879
	2,098	210	19,612	1,959
Other expenses				
Interest	6	11	60	98
Exchange losses	256	125	2,390	1,167
Other	508	499	4,749	4,668
	770	635	7,199	5,933
Income before income taxes and minority interests	8,483	4,157	79,282	38,847
Income taxes	3,382	1,222	31,606	11,420
Net income	¥	¥	\$	\$
	5,101	2,935	47,676	27,427

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥107=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2003.

CONSOLIDATED STATEMENT OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	2003	2002
Net income	¥ 5,101	¥ 2,935	\$ 47,676	\$ 27,427
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	2,318	2,980	21,662	27,854
Increase(decrease)in reserve for employees' retirement benefits	(1,827)	284	(17,072)	2,654
Loss on disposal of property and equipment	128	179	1,193	1,677
Decrease (increase) in trade receivables	(848)	(1,566)	(7,928)	(14,633)
Decrease (increase) in inventories	274	325	2,559	3,042
Increase (decrease) in trade payables	786	866	7,346	8,094
Other, net	2,284	(242)	21,351	(2,274)
Net cash provided by operating activities	8,216	5,761	76,787	53,841
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(2,043)	(1,433)	(19,093)	(13,389)
Other	(202)	(97)	(1,892)	(911)
Net cash used in investing activities	(2,245)	(1,530)	(20,985)	(14,300)
Cash flows from financing activities				
Repayment of long-term debt	-	(2)	-	(19)
Bonds	-	(2,000)	-	(18,692)
Increase (decrease) in short-term loans	(2,500)	(124)	(23,364)	(1,158)
Dividends paid	(359)	(290)	(3,356)	(2,711)
Other	(20)	(14)	(188)	(132)
Net cash used in financing activities	(2,879)	(2,430)	(26,908)	(22,712)
Effect of exchange rate changes on cash and cash equivalents	(9)	(45)	(81)	(420)
Net change in cash and cash equivalents	3,083	1,756	28,813	16,409
Cash and cash equivalents at beginning of year	6,550	4,794	61,214	44,805
Cash and cash equivalents at end of year	9,633	6,550	90,027	61,214

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥107=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30,2003.

CONSOLIDATED BALANCE SHEETS

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Assets	Millions of yen		Thousands of U.S. dollars	
	2003	2002	2003	2002
Current assets	¥	¥	\$	\$
Cash and cash equivalents	9,633	6,550	90,027	61,214
Trade receivables	13,776	12,968	128,747	121,199
Inventories	3,100	3,374	28,975	31,535
Others	1,481	1,473	13,837	13,758
Less allowance for doubtful receivables	(11)	(26)	(101)	(242)
Total current assets	27,979	24,339	261,485	227,464
Property, plant and equipment				
Buildings and structures	13,725	13,731	128,272	128,332
Machinery and equipment	18,992	18,677	177,489	174,541
Land	5,531	5,531	51,691	51,691
Construction in progress	227	92	2,125	862
Less accumulated depreciation	23,437	22,645	219,039	211,632
Net property, plant and equipment	15,038	15,386	140,538	143,794
Investment and other assets				
Investments in securities	179	135	1,670	1,263
Long-term loans receivable			0	0
Others	3,377	4,167	31,568	38,948
Total investments and other assets	3,556	4,302	33,238	40,211
Total assets	¥ 46,573	44,027	435,261	411,469

Liabilities and stockholders' equity

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	2003	2002
Current liabilities	¥	¥	\$	\$
Notes and accounts payable	12,851	11,999	120,099	112,143
Short-term loans	-	2,500	-	23,364
Income taxes payable	1,920	924	17,942	8,633
Accrued expenses	1,302	1,367	12,170	12,779
Construction notes payable	37	13	349	117
Others	1,038	812	9,702	7,594
Total current liabilities	17,148	17,615	160,262	164,630
Long-term liabilities				
Benefits for employees' retirement	5,262	7,089	49,178	66,249
Other	1,307	1,123	12,212	10,494
Total long-term liabilities	6,569	8,212	61,390	76,743
Total liabilities	23,717	25,827	221,652	241,373
Stockholders' equity				
Common stock, par value ¥50 per share				
Authorized : 60,000,000 shares				
Issued : 27,647,884 shares	4,969	4,969	46,441	46,441
Capital surplus	9,037	9,036	84,456	84,450
Surplus	9,245	4,507	86,405	42,117
Other: Marketable securities valuation differential	38	18	358	167
Adjustment of exchange conversation	(398)	(315)	(3,721)	(2,943)
Treasury stock	(35)	(15)	(330)	(136)
Total stockholders' equity	22,856	18,200	213,609	170,096
Total liabilities and stockholders' equity	¥ 46,573	44,027	435,261	411,469

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥107=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2003.