



CANON ELECTRONICS INC.

ANNUAL REPORT 2004 (Unaudited)

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Net sales	¥	¥	\$	\$
Component	49,972	43,791	480,499	421,065
Electronic Information Appliance and others.	36,026	34,677	346,402	333,439
Total	85,998	78,468	826,901	754,504
Net Income	6,272	5,101	60,307	49,052
Net income per common share				
assuming no dilution	226.61	184.29	2.18	1.77
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Total assets	¥	¥	\$	\$
	57,220	46,573	550,194	447,817
Stockholders' equity	28,480	22,856	273,844	219,771

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Net sales	¥	¥	\$	\$
	85,998	78,468	826,901	754,504
Cost of sales	67,899	63,605	652,870	611,588
Gross profit	18,099	14,863	174,031	142,916
Selling, general and administrative expenses	7,278	7,708	69,984	74,118
Operating profit	10,821	7,155	104,047	68,798
Other income				
Interest and dividends	9	7	84	67
Gain on return of substituted portion of the governmental welfare pension program	-	1,962	-	18,865
Other	116	130	1,123	1,245
	125	2,099	1,207	20,177
Other expenses				
Interest	4	6	41	62
Exchange losses	42	256	403	2,459
Other	558	509	5,363	4,885
	604	771	5,807	7,406
Income before income taxes and minority interests	10,342	8,483	99,447	81,569
Income taxes	4,070	3,382	39,140	32,517
Net income	¥	¥	\$	\$
	6,272	5,101	60,307	49,052

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥104=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2004.

CONSOLIDATED STATEMENT OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Net income	¥ 6,272	¥ 5,101	\$ 60,307	\$ 49,052
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	2,618	2,318	25,177	22,287
Increase (decrease) in reserve for employees' retirement benefits	(176)	(1,827)	(1,688)	(17,564)
Loss on disposal of property and equipment	361	128	3,470	1,228
Decrease (increase) in trade receivables	(2,204)	(848)	(21,193)	(8,157)
Decrease (increase) in inventories	(409)	274	(3,929)	2,633
Increase (decrease) in trade payables	3,539	786	34,029	7,558
Other, net	451	2,284	4,323	21,965
Net cash provided by operating activities	10,452	8,216	100,496	79,002
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(5,135)	(2,043)	(49,376)	(19,644)
Other	(156)	(202)	(1,499)	(1,946)
Net cash used in investing activities	(5,291)	(2,245)	(50,875)	(21,590)
Cash flows from financing activities				
Increase (decrease) in short-term loans	-	(2,500)	-	(24,038)
Dividends paid	(580)	(359)	(5,579)	(3,453)
Other	(35)	(20)	(333)	(194)
Net cash used in financing activities	(615)	(2,879)	(5,912)	(27,685)
Effect of exchange rate changes on cash and cash equivalents	(4)	(9)	(34)	(83)
Net change in cash and cash equivalents	4,542	3,083	43,675	29,644
Cash and cash equivalents at beginning of year	9,633	6,550	92,624	62,980
Cash and cash equivalents at end of year	14,175	9,633	136,299	92,624

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥104=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2004.

