



CANON ELECTRONICS INC.

ANNUAL REPORT 2005 (Unaudited)

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	2005	2004
Net sales	¥	¥	\$	\$
Component	54,812	49,972	464,506	423,490
Electronic Information Appliance and others.	38,307	36,026	324,640	305,304
Total	93,119	85,998	789,146	728,794
Net Income	7,275	6,272	61,656	53,152
Net income per common share				
assuming no dilution	262.77	226.61	2.23	1.92
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	2005	2004
Total assets	¥	¥	\$	\$
	61,523	57,220	521,384	484,917
Stockholders' equity	34,604	28,480	293,258	241,354

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	2005	2004
Net sales	¥	¥	\$	\$
	93,119	85,998	789,146	728,794
Cost of sales	74,305	67,899	629,707	575,411
Gross profit	18,814	18,099	159,439	153,383
Selling, general and administrative expenses	7,299	7,278	61,854	61,681
Operating profit	11,515	10,821	97,585	91,702
Other income				
Interest and dividends	25	9	213	74
Exchange Gains	390	-	3,309	-
Other	159	116	1,345	990
	574	125	4,867	1,064
Other expenses				
Interest	2	4	15	36
Exchange losses	-	42	-	355
Other	335	558	2,844	4,727
	337	604	2,859	5,118
Income before income taxes and minority interests	11,752	10,342	99,593	87,648
Income taxes	4,477	4,070	37,937	34,496
Net income	¥	¥	\$	\$
	7,275	6,272	61,656	53,152

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥118=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2005.

CONSOLIDATED STATEMENT OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	2005	2004
Net income	¥ 7,275	¥ 6,272	\$ 61,656	\$ 53,152
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	3,710	2,618	31,439	22,190
Increase (decrease) in reserve for employees' retirement benefits	(379)	(176)	(3,214)	(1,488)
Loss on disposal of property and equipment	229	361	1,942	3,058
Decrease (increase) in trade receivables	(1,044)	(2,204)	(8,846)	(18,679)
Decrease (increase) in inventories	(185)	(409)	(1,566)	(3,463)
Increase (decrease) in trade payables	(149)	3,539	(1,261)	29,992
Other, net	(422)	451	(3,580)	3,810
Net cash provided by operating activities	9,035	10,452	76,570	88,572
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(6,564)	(5,135)	(55,629)	(43,518)
Other	(368)	(156)	(3,114)	(1,321)
Net cash used in investing activities	(6,932)	(5,291)	(58,743)	(44,839)
Cash flows from financing activities				
Increase (decrease) in short-term loans	-	-	-	-
Dividends paid	(1,240)	(580)	(10,508)	(4,917)
Other	(21)	(35)	(183)	(293)
Net cash used in financing activities	(1,261)	(615)	(10,691)	(5,210)
Effect of exchange rate changes on cash and cash equivalents	(58)	(4)	(489)	(30)
Net change in cash and cash equivalents	784	4,542	6,647	38,493
Cash and cash equivalents at beginning of year	14,175	9,633	120,128	81,635
Cash and cash equivalents at end of year	14,959	14,175	126,775	120,128

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥118=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2005.

CONSOLIDATED BALANCE SHEETS

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Assets	Millions of yen		Thousands of U.S. dollars	
	2005	2004	2005	2004
Current assets	¥	¥	\$	\$
Cash and cash equivalents	14,959	14,175	126,775	120,128
Trade receivables	17,065	15,957	144,622	135,225
Inventories	3,694	3,509	31,303	29,737
Others	1,691	1,777	14,334	15,069
Less allowance for doubtful receivables	(1)	(1)	(13)	(12)
Total current assets	37,408	35,417	317,021	300,147
Property, plant and equipment				
Buildings and structures	16,527	15,385	140,064	130,378
Machinery and equipment	24,219	20,658	205,251	175,069
Land	5,531	5,531	46,873	46,873
Construction in progress	354	460	2,997	3,899
Less accumulated depreciation	26,209	23,641	222,114	200,349
Net property, plant and equipment	20,422	18,393	173,071	155,870
Investment and other assets				
Investments in securities	464	115	3,930	971
Others	3,229	3,295	27,362	27,929
Total investments and other assets	3,693	3,410	31,292	28,900
Total assets	¥ 61,523	57,220	521,384	484,917
Liabilities and stockholders' equity				
	Millions of yen		Thousands of U.S. dollars	
	2005	2004	2005	2004
Current liabilities	¥	¥	\$	\$
Notes and accounts payable	16,184	16,222	137,155	137,472
Income taxes payable	2,344	2,684	19,864	22,749
Accrued expenses	1,694	1,605	14,356	13,599
Construction notes payable	117	934	996	7,919
Others	1,267	1,294	10,731	10,970
Total current liabilities	21,606	22,739	183,102	192,709
Long-term liabilities				
Benefits for employees' retirement	4,707	5,086	39,892	43,106
Other	606	915	5,132	7,748
Total long-term liabilities	5,313	6,001	45,024	50,854
Total liabilities	26,919	28,740	228,126	243,563
Stockholders' equity				
Common stock, par value ¥50 per share				
Authorized : 60,000,000 shares				
Issued : 27,647,884 shares	4,969	4,969	42,111	42,111
Capital surplus	9,038	9,038	76,597	76,596
Surplus	20,943	14,926	177,481	126,493
Other: Marketable securities valuation differential	65	36	553	302
Adjustment of exchange conversation	(318)	(418)	(2,695)	(3,542)
Treasury stock	(93)	(71)	(789)	(606)
Total stockholders' equity	34,604	28,480	293,258	241,354
Total liabilities and stockholders' equity	¥ 61,523	57,220	521,384	484,917

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥118=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2005.