



CANON ELECTRONICS INC.

ANNUAL REPORT 2006(Unaudited)

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	2006	2005
Net sales	¥	¥	\$	\$
Component	62,457	54,812	524,850	460,603
Electronic Information Appliance and others.	39,071	38,307	328,327	321,912
Total	101,528	93,119	853,177	782,515
Net Income	8,756	7,275	73,582	61,137
Net income per common share				
assuming no dilution	317.43	262.77	2.67	2.21
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	2006	2005
Total assets	¥	¥	\$	\$
	74,316	61,523	624,501	517,003
Stockholders' equity	43,273	34,604	363,640	290,794

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	2006	2005
Net sales	¥	¥	\$	\$
	101,528	93,119	853,177	782,515
Cost of sales	79,279	74,305	666,215	624,415
Gross profit	22,249	18,814	186,962	158,100
Selling, general and administrative expenses	8,192	7,299	68,835	61,335
Operating profit	14,057	11,515	118,127	96,765
Other income				
Interest and dividends	56	25	474	211
Exchange Gains	64	390	535	3,281
Other	217	159	1,821	1,334
	337	574	2,830	4,826
Other expenses				
Interest	1	2	13	15
Other	218	335	1,824	2,820
	219	337	1,837	2,835
Income before income taxes and minority interests	14,175	11,752	119,120	98,756
Income taxes	5,419	4,477	45,538	37,619
Net income	¥	¥	\$	\$
	8,756	7,275	73,582	61,137

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥119=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 29, 2006.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	2006	2005
Net income	¥ 8,756	¥ 7,275	\$ 73,582	\$ 61,137
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	3,855	3,710	32,396	31,174
Increase (decrease) in reserve for employees' retirement benefits	(679)	(379)	(5,708)	(3,187)
Loss on disposal of property and equipment	129	229	1,081	1,926
Decrease (increase) in trade receivables	(2,349)	(1,044)	(19,739)	(8,771)
Decrease (increase) in inventories	(987)	(185)	(8,292)	(1,553)
Increase (decrease) in trade payables	2,800	(149)	23,531	(1,250)
Other, net	797	(422)	6,696	(3,550)
Net cash provided by operating activities	12,322	9,035	103,547	75,926
Cash flows from investing activities				
Payment for purchase of property, plant and equipment	(5,675)	(6,564)	(47,688)	(55,161)
Acquisitions of subsidiaries, net of cash acquired	(1,780)	-	(14,960)	-
Other, net	(566)	(368)	(4,756)	(3,088)
Net cash used in investing activities	(8,021)	(6,932)	(67,404)	(58,249)
Cash flows from financing activities				
Dividends paid	(1,542)	(1,240)	(12,956)	(10,420)
Other, net	(4)	(21)	(33)	(181)
Net cash used in financing activities	(1,546)	(1,261)	(12,989)	(10,601)
Effect of exchange rate changes on cash and cash equivalents	2	(58)	12	(485)
Net change in cash and cash equivalents	2,757	784	23,166	6,591
Cash and cash equivalents at beginning of year	14,959	14,175	125,709	119,118
Cash and cash equivalents at end of year	17,716	14,959	148,875	125,709

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥119=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 29, 2006.

CONSOLIDATED BALANCE SHEETS

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Assets	Millions of yen		Thousands of U.S. dollars	
	2006	2005	2006	2005
Current assets	¥	¥	\$	\$
Cash and cash equivalents	17,716	14,959	148,875	125,709
Trade receivables	19,825	17,065	166,595	143,407
Inventories	4,979	3,694	41,841	31,040
Others	2,461	1,691	20,682	14,214
Less allowance for doubtful receivables	(2)	(1)	(19)	(13)
Total current assets	44,979	37,408	377,974	314,357
Property, plant and equipment				
Buildings and structures	17,863	16,527	150,109	138,887
Machinery and equipment	27,165	24,219	228,277	203,526
Land	6,032	5,531	50,689	46,479
Construction in progress	354	354	2,978	2,972
Less accumulated depreciation	28,751	26,209	241,608	220,247
Net property, plant and equipment	22,663	20,422	190,445	171,617
Investment and other assets				
Investments in securities	1,669	464	14,025	3,897
Good will	1,295	-	10,880	-
Others	3,710	3,229	31,177	27,132
Total investments and other assets	6,674	3,693	56,082	31,029
Total assets	¥ 74,316	61,523	624,501	517,003

Liabilities and Net assets

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	2006	2005
Current liabilities	¥	¥	\$	\$
Notes and accounts payable	19,141	16,184	160,851	136,003
Income taxes payable	3,148	2,344	26,452	19,698
Accrued expenses	1,817	1,694	15,273	14,234
Construction notes payable	549	117	4,613	987
Others	1,755	1,267	14,743	10,641
Total current liabilities	26,410	21,606	221,932	181,563
Long-term liabilities				
Benefits for employees' retirement	4,133	4,707	34,729	39,557
Other	500	606	4,200	5,089
Total long-term liabilities	4,633	5,313	38,929	44,646
Total liabilities	31,043	26,919	260,861	226,209
Net assets				
Stockholders' equity				
Common stock	4,969	4,969	41,758	41,758
Additional paid-in capital	9,038	9,038	75,952	75,953
Retained earnings	28,128	20,943	236,372	175,989
Treasury stock	(97)	(93)	(816)	(783)
Total Stockholders' equity	42,038	34,857	353,266	292,917
Valuation, translation adjustments and others				
Other: Marketable securities valuation differential	41	65	346	549
Net gains and losses on derivative instruments	(15)	-	(130)	-
Adjustment of exchange conversion	(246)	(318)	(2,065)	(2,672)
Total Valuation, translation adjustments and others	(220)	(253)	(1,849)	(2,123)
Minority interest	1,455	-	12,223	-
Total net assets	43,273	34,604	363,640	290,794
Total liabilities and net assets	¥ 74,316	61,523	624,501	517,003

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥119=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 29, 2006.