


CANON ELECTRONICS INC.
ANNUAL REPORT 2007(Unaudited)
CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	2006
	¥	¥	\$	\$
Net sales				
Component	69,749	62,457	611,837	547,870
Electronic Information Appliance and others.	43,001	39,071	377,197	342,727
Total	112,750	101,528	989,034	890,597
Net Income	9,116	8,756	79,968	76,810
Net income per common share				
assuming no dilution	220.35	211.62	1.93	1.86
assuming full dilution	-	-	-	-

Notes: We have made a three-for-two stock split on January 1, 2007. All per share information has been adjusted to reflect the stock split

	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	2006
	¥	¥	\$	\$
Total assets	80,291	74,316	704,310	651,891
Net assets	50,187	43,273	440,235	379,589

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	2006
	¥	¥	\$	\$
Net sales	112,750	101,528	989,034	890,597
Cost of sales	86,548	79,279	759,191	695,435
Gross profit	26,202	22,249	229,843	195,162
Selling, general and administrative expenses	11,807	8,192	103,571	71,854
Operating profit	14,395	14,057	126,272	123,308
Other income				
Interest and dividends	95	56	828	494
Exchange gain	-	64	-	558
Gain on sales of investments in securities	729	15	6,400	133
Other	301	202	2,642	1,768
	1,125	337	9,870	2,953
Other expenses				
Interest	3	1	24	13
Exchange losses	121	-	1,066	-
Other	479	218	4,197	1,904
	603	219	5,287	1,917
Income before income taxes and minority interests	14,917	14,175	130,855	124,344
Income taxes	5,909	5,419	51,830	47,534
Minority interests	(108)	-	(943)	-
Net income	¥ 9,116	8,756	79,968	76,810

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥114=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28, 2007

CONSOLIDATED STATEMENTS OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2007	2006	2007	2006
Net income	¥ 9,116	¥ 8,756	\$ 79,968	\$ 76,810
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	4,497	3,855	39,444	33,817
Amortization of consolidation differences	279	-	2,447	-
Increase(decrease)in reserve for employees' retirement benefits	(656)	(679)	(5,753)	(5,959)
Loss on disposal of property and equipment	73	129	641	1,128
Gain on sales of investments in securities	(730)	(15)	(6,400)	(133)
Decrease (increase) in trade receivables	(1,387)	(2,349)	(12,168)	(20,605)
Decrease (increase) in inventories	(133)	(987)	(1,171)	(8,655)
Increase (decrease) in trade payables	117	2,800	1,029	24,563
Other, net	(30)	812	(265)	7,123
Net cash provided by operating activities	11,146	12,322	97,772	108,089
Cash flows from investing activities				
Payments for purchases of investments in securities	(295)	(351)	(2,585)	(3,075)
Proceeds from sales of investments in securities	1,346	23	11,810	204
Payment for purchase of property , plant and equipment	(7,858)	(5,675)	(68,928)	(49,780)
Acquisitions of subsidiaries, net of cash acquired	(300)	(1,780)	(2,634)	(15,616)
Other,net	(56)	(239)	(495)	(2,093)
Net cash used in investing activities	(7,163)	(8,021)	(62,832)	(70,361)
Cash flows from financing activities				
Dividends paid	(2,118)	(1,542)	(18,576)	(13,525)
Other,net	(17)	(4)	(155)	(34)
Net cash used in financing activities	(2,135)	(1,546)	(18,731)	(13,559)
Effect of exchange rate changes on cash and cash equivalents	(5)	2	(45)	12
Net change in cash and cash equivalents	1,843	2,757	16,164	24,181
Cash and cash equivalents at beginning of year	17,716	14,959	155,404	131,223
Cash and cash equivalents at end of year	19,559	17,716	171,568	155,404

Notes:U.S.Dollar amounts are translated from yen at the rate of¥114=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28,2007

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Millions of yen										
	Stockholders' equity					Valuation, translation adjustments and others				Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholder's equity	Other: marketable securities valuation differential	Net gains and losses on derivative instruments	Adjustment of exchange conversation	Total valuation, translation adjustments and others		
Balance at December 31, 2006	¥ 4,969	¥ 9,038	¥ 28,128	¥ (97)	¥ 42,038	¥ 41	¥ (15)	¥ (246)	¥ (220)	¥ 1,455	¥ 43,273
Cash dividends			(2,123)		(2,123)				-		(2,123)
Net income			9,116		9,116				-		9,116
Purchases of treasury stock				(27)	(27)				-		(27)
Disposition of treasury stock		2		1	3				-		3
Other, net					-	(34)	14	6	(14)	(41)	(55)
Balance at December 31, 2007	¥ 4,969	¥ 9,040	¥ 35,121	¥ (123)	¥ 49,007	¥ 7	¥ (1)	¥ (240)	¥ (234)	¥ 1,414	¥ 50,187

	Thousands of U.S. dollars										
	Stockholders' equity					Valuation, translation adjustments and others				Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholder's equity	Other: marketable securities valuation differential	Net gains and losses on derivative instruments	Adjustment of exchange conversation	Total valuation, translation adjustments and others		
Balance at December 31, 2006	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cash dividends	0		(18,631)		(18,631)	0	0	0	-		(18,631)
Net income	0		79,968		79,968	0	0	0	-		79,968
Purchases of treasury stock	0			(238)	(238)	0	0	0	-		(238)
Disposition of treasury stock	0	17		8	25	0	0	0	-		25
Other, net	0	0	0	0	-	(303)	131	52	(120)	(358)	(478)
Balance at December 31, 2007	\$ 0	\$ 17	\$ 61,337	\$ (230)	\$ 61,124	\$ (303)	\$ 131	\$ 52	\$ (120)	\$ (358)	\$ 60,646

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥114=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28, 2007