


**CANON ELECTRONICS INC.**
**ANNUAL REPORT 2008(Unaudited)**
**CONSOLIDATED FINANCIAL HIGHLIGHTS**

	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)	
	2008	2007	2008	2007
Net sales	¥	¥	\$	\$
Component	68,250	69,749	749,995	766,477
Electronic Information Appliance and others.	46,638	43,001	512,514	472,532
<b>Total</b>	<b>114,888</b>	<b>112,750</b>	<b>1,262,509</b>	<b>1,239,009</b>
Net Income	6,025	9,116	66,213	100,180
Net income per common share				
assuming no dilution	147.15	220.35	1.62	2.42
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2008	2007	2008	2007
Total assets	¥ 77,445	¥ 80,291	\$ 851,039	\$ 882,322
Net assets	52,488	50,187	576,795	551,503

**CONSOLIDATED STATEMENTS OF INCOME**

	Millions of yen		Thousands of U.S. dollars	
	2008	2007	2008	2007
Net sales	¥ 114,888	¥ 112,750	\$ 1,262,509	\$ 1,239,009
Cost of sales	91,612	86,548	1,006,727	951,074
Gross profit	23,276	26,202	255,782	287,935
Selling, general and administrative expenses	11,008	11,807	120,969	129,748
Operating profit	12,268	14,395	134,813	158,187
Other income				
Interest and dividends	49	95	539	1,038
Gain on sales of investments in securities	35	730	385	8,017
Equity in earnings of affiliates	17	6	184	61
Other	370	294	4,062	3,249
	471	1,125	5,170	12,365
Other expenses				
Interest	6	3	62	30
Exchange losses	1,158	121	12,724	1,335
Loss on disposal of property and equipment	263	73	2,895	804
Loss on valuation of investment securities	533	47	5,859	514
Impairment loss	145	109	1,595	1,202
Other	719	250	7,897	2,739
	2,824	603	31,032	6,624
Income before income taxes and minority interests	9,915	14,917	108,951	163,928
Income taxes	4,299	5,909	47,234	64,930
Minority interests	(409)	(108)	(4,496)	(1,182)
<b>Net income</b>	<b>¥ 6,025</b>	<b>¥ 9,116</b>	<b>\$ 66,213</b>	<b>\$ 100,180</b>

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥91=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2008.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2008	2007	2008	2007
	¥	¥	\$	\$
Net income	6,025	9,116	66,213	100,180
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	6,079	4,497	66,799	49,414
Amortization of consolidation differences	360	279	3,959	3,066
Increase(decrease)in reserve for employees' retirement benefits	(616)	(656)	(6,767)	(7,207)
Loss on disposal of property and equipment	263	73	2,895	803
Gain on sales of investments in securities	(35)	(730)	(385)	(8,018)
Decrease (increase) in trade receivables	6,089	(1,387)	66,915	(15,245)
Decrease (increase) in inventories	(270)	(133)	(2,962)	(1,467)
Increase (decrease) in trade payables	(2,574)	117	(28,281)	1,289
Other, net	(1,379)	(30)	(15,170)	(332)
Net cash provided by operating activities	13,942	11,146	153,216	122,483
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(10,154)	(7,858)	(111,586)	(86,349)
Payments for purchases of investments in securities	(393)	(295)	(4,323)	(3,238)
Proceeds from sales of investments in securities	75	1,346	820	14,795
Acquisitions of subsidiaries, net of cash acquired	(1,808)	(300)	(19,869)	(3,300)
Other,net	(935)	(56)	(10,272)	(620)
Net cash used in investing activities	(13,215)	(7,163)	(145,230)	(78,712)
Cash flows from financing activities				
Dividends paid	(2,545)	(2,118)	(27,968)	(23,271)
Purchase of treasury stock	(1,154)	(27)	(12,684)	(288)
Other,net	(125)	10	(1,372)	94
Net cash used in financing activities	(3,824)	(2,135)	(42,024)	(23,465)
Effect of exchange rate changes on cash and cash equivalents	(352)	(5)	(3,864)	(57)
Net change in cash and cash equivalents	(3,449)	1,843	(37,902)	20,249
Cash and cash equivalents at beginning of year	19,559	17,716	214,931	194,682
Cash and cash equivalents at end of year	16,110	19,559	177,029	214,931

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥91=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30,2008.



CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Millions of yen											
	Shareholders' equity					Valuation, translation adjustments				Subscription rights to shares	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, 2007	¥ 4,969	¥ 9,040	¥ 35,121	¥ (123)	¥ 49,007	¥ 7	¥ (1)	¥ (240)	¥ (234)	¥ -	¥ 1,414	¥ 50,187
Cash dividends			(2,550)		(2,550)							(2,550)
Net income			6,025		6,025							6,025
Purchases of treasury stock				(1,154)	(1,154)							(1,154)
Disposition of treasury stock		0		0	0							0
Other, net						10	1	(332)	(321)	89	212	(20)
Balance at December 31, 2008	¥ 4,969	¥ 9,040	¥ 38,596	¥ (1,277)	¥ 51,328	¥ 17	¥ 0	¥ (572)	¥ (555)	¥ 89	¥ 1,626	¥ 52,488

	Thousands of U.S. dollars											
	Shareholders' equity					Valuation, translation adjustments				Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total Valuation, translation adjustments			
Balance at December 31, 2007	\$ 54,606	\$ 99,345	\$385,942	\$ (1,355)	\$ 538,538	\$ 72	\$ (6)	\$ (2,636)	\$ (2,570)	\$ -	\$ 15,535	\$ 551,503
Cash dividends			(28,022)		(28,022)							(28,022)
Net income			66,213		66,213							66,213
Purchases of treasury stock				(12,681)	(12,681)							(12,681)
Disposition of treasury stock		0		0	0							0
Other, net						122	6	(3,652)	(3,524)	975	2,331	(218)
Balance at December 31, 2008	\$ 54,606	\$ 99,345	\$424,133	\$ (14,036)	\$ 564,048	\$ 194	\$ -	\$ (6,288)	\$ (6,094)	\$ 975	\$ 17,866	\$ 576,795

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥91=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2008.