


CANON ELECTRONICS INC.
ANNUAL REPORT 2009(Unaudited)
CONSOLIDATED FINANCIAL HIGHLIGHTS

| | Millions of yen (except per share amounts) | | Thousands of U.S. dollars (except per share amounts) | |
|--|---|----------------|---|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | ¥ | ¥ | \$ | \$ |
| Component | 52,101 | 68,250 | 566,320 | 741,842 |
| Electronic Information Appliance and others. | 43,398 | 46,638 | 471,723 | 506,943 |
| Total | 95,500 | 114,888 | 1,038,043 | 1,248,785 |
| Net Income | 4,895 | 6,025 | 53,206 | 65,493 |
| Net income per common share | | | | |
| assuming no dilution | 119.77 | 147.15 | 1.30 | 1.60 |
| assuming full dilution | - | - | - | - |

| | Millions of yen | | Thousands of U.S. dollars | |
|--------------|-----------------|----------|---------------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Total assets | ¥ 80,902 | ¥ 77,445 | \$ 879,379 | \$ 841,788 |
| Net assets | 55,592 | 52,488 | 604,262 | 570,525 |

CONSOLIDATED STATEMENTS OF INCOME

| | Millions of yen | | Thousands of U.S. dollars | |
|---|-----------------|-----------|---------------------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | ¥ 95,500 | ¥ 114,888 | \$ 1,038,044 | \$ 1,248,785 |
| Cost of sales | 75,786 | 91,612 | 823,765 | 995,783 |
| Gross profit | 19,713 | 23,276 | 214,279 | 253,002 |
| Selling, general and administrative expenses | 11,570 | 11,008 | 125,761 | 119,654 |
| Operating profit | 8,143 | 12,268 | 88,518 | 133,347 |
| Other income | | | | |
| Interest and dividends | 16 | 49 | 177 | 533 |
| Foreign exchange gains | 289 | - | 3,149 | - |
| Equity in earnings of affiliates | 3 | 17 | 32 | 182 |
| Gain on sales of investment securities | 96 | 35 | 1,049 | 380 |
| Reversal of allowance for doubtful accounts | 19 | - | 209 | - |
| Reversal of provision for retirement benefits | 22 | - | 245 | - |
| Other | 176 | 370 | 1,922 | 4,017 |
| | 624 | 471 | 6,786 | 5,113 |
| Other expenses | | | | |
| Interest | 5 | 6 | 56 | 61 |
| Loss on valuation or abandonment of inventories | - | 178 | - | 1,933 |
| Foreign exchange losses | - | 1,158 | - | 12,586 |
| Loss on investments in partnership | 160 | - | 1,742 | - |
| Loss on disposal of property and equipment | 160 | 263 | 1,747 | 2,863 |
| Loss on valuation of investment securities | 63 | 733 | 692 | 7,969 |
| Impairment loss | 45 | 145 | 494 | 1,578 |
| Other | 38 | 340 | 420 | 3,703 |
| | 473 | 2,824 | 5,155 | 30,695 |
| Income before income taxes and minority interests | 8,293 | 9,915 | 90,148 | 107,766 |
| Income taxes | 3,606 | 4,299 | 39,204 | 46,720 |
| Minority interests | (208) | (409) | (2,262) | (4,447) |
| Net income | ¥ 4,895 | ¥ 6,025 | \$ 53,206 | \$ 65,493 |

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥92=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2009.

CONSOLIDATED STATEMENTS OF CASH FLOW

| | Millions of yen | | Thousands of U.S. dollars | |
|---|-----------------|----------|---------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | ¥ | ¥ | \$ | \$ |
| Net income | 4,895 | 6,025 | 53,206 | 65,493 |
| Adjustment to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation and amortization | 5,828 | 6,079 | 63,348 | 66,072 |
| Amortization of goodwill | 520 | 360 | 5,660 | 3,916 |
| Increase(decrease)in reserve for employees' retirement benefits | (93) | (616) | (1,020) | (6,693) |
| Loss (gain) on disposal of property and equipment | 136 | 220 | 1,483 | 2,391 |
| Loss (gain) on sales and valuation of investment securities | (32) | 698 | (356) | 7,588 |
| Decrease (increase) in trade receivables | (2,034) | 6,089 | (22,114) | 66,187 |
| Decrease (increase) in inventories | 516 | (270) | 5,612 | (2,930) |
| Increase (decrease) in trade payables | (636) | (2,574) | (6,918) | (27,973) |
| Other, net | 1,653 | (2,070) | 17,975 | (22,502) |
| Net cash provided by operating activities | 10,752 | 13,942 | 116,877 | 151,550 |
| Cash flows from investing activities | | | | |
| Payment for purchase of property , plant and equipment | (9,851) | (10,154) | (107,076) | (110,373) |
| Payments for purchases of investments in securities | (11) | (393) | (123) | (4,275) |
| Proceeds from sales of investments in securities | 200 | 70 | 2,183 | 760 |
| Acquisitions of subsidiaries, net of cash acquired | (418) | (1,808) | (4,545) | (19,653) |
| Other,net | 188 | (82) | 2,045 | (900) |
| Net cash used in investing activities | (10,180) | (13,215) | (110,654) | (143,650) |
| Cash flows from financing activities | | | | |
| Dividends paid | (1,836) | (2,545) | (19,963) | (27,664) |
| Purchase of treasury stock | - | (1,153) | - | (12,546) |
| Other,net | 53 | (124) | 584 | (1,357) |
| Net cash used in financing activities | (1,782) | (3,824) | (19,379) | (41,568) |
| Effect of exchange rate changes on cash and cash equivalents | 45 | (352) | 499 | (3,822) |
| Net change in cash and cash equivalents | (1,164) | (3,449) | (12,657) | (37,490) |
| Cash and cash equivalents at beginning of year | 16,110 | 19,559 | 175,104 | 212,594 |
| Cash and cash equivalents at end of year | 14,945 | 16,110 | 162,447 | 175,104 |

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥92=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30,2009.

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, 2008 | ¥ 4,969 | ¥ 9,040 | ¥ 38,596 | ¥ (1,277) | ¥ 51,328 | ¥ 17 | - | ¥ (572) | ¥ (555) | ¥ 89 | ¥ 1,626 | ¥ 52,488 |
| Cash dividends | | | (1,839) | | (1,839) | | | | | | | (1,839) |
| Net income | | | 4,895 | | 4,895 | | | | | | | 4,895 |
| Purchases of treasury stock | | | | (0) | (0) | | | | | | | (0) |
| Disposition of treasury stock | | 0 | | 0 | 0 | | | | | | | 0 |
| Other, net | | | | | | 65 | | 43 | 108 | 122 | (181) | 48 |
| Balance at December 31, 2009 | ¥ 4,969 | ¥ 9,040 | ¥ 41,651 | ¥ (1,278) | ¥ 54,383 | ¥ 82 | - | ¥ (529) | ¥ (447) | ¥ 211 | ¥ 1,444 | ¥ 55,592 |

| | 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, 2008 | \$ 54,012 | \$ 98,265 | \$ 419,522 | \$ (13,883) | \$ 557,916 | \$ 192 | - | \$ (6,219) | \$ (6,027) | \$ 963 | \$ 17,671 | \$ 570,523 |
| Cash dividends | | | (19,991) | | (19,991) | | | | | | | (19,991) |
| Net income | | | 53,206 | | 53,206 | | | | | | | 53,206 |
| Purchases of treasury stock | | | | (10) | (10) | | | | | | | (10) |
| Disposition of treasury stock | | 0 | | 2 | 2 | | | | | | | 2 |
| Other, net | | | | | | 703 | | 465 | 1,168 | 1,333 | (1,971) | (803) |
| Balance at December 31, 2009 | \$ 54,012 | \$ 98,264 | \$ 452,738 | \$ (13,891) | \$ 591,123 | \$ 895 | - | \$ (5,754) | \$ (4,858) | \$ 2,297 | \$ 15,700 | \$ 604,262 |

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥92=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2009.