


CANON ELECTRONICS INC.
ANNUAL REPORT 2010(Unaudited)
CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)	
	2010	2009	2010	2009
	¥	¥	\$	\$
Net sales				
Component	67,537	52,101	833,802	643,228
Electronic Information Appliance and others	53,607	43,398	661,815	535,785
Total	121,145	95,500	1,495,617	1,179,013
Net Income	8,099	4,895	99,998	60,432
Net income per common share				
assuming no dilution	193.97	119.77	2.39	1.48
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	2009
	¥	¥	\$	\$
Total assets	90,939	80,902	1,122,708	998,801
Net assets	61,357	55,592	757,504	686,322

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	2009
	¥	¥	\$	\$
Net sales	121,145	95,500	1,495,618	1,179,014
Cost of sales	94,143	75,786	1,162,264	935,635
Gross profit	27,001	19,713	333,353	243,379
Selling, general and administrative expenses	11,724	11,570	144,751	142,839
Operating profit	15,276	8,143	188,602	100,539
Other income				
Interest and dividends	27	16	336	201
Foreign exchange gains	-	289	-	3576
Rent income	59	55	735	679
Amortization of negative goodwill	1	0	13	8
Equity in earnings of affiliates	-	3	-	37
Gain on sales of noncurrent assets	1	-	13	-
Gain on sales of subsidiaries and affiliates' stocks	2	-	36	-
Gain on sales of investment securities	3	96	37	1191
Reversal of allowance for doubtful accounts	3	19	44	237
Reversal of provision for retirement benefits	-	22	-	278
Gain on liquidation of investment securities	1	-	22	-
Gain on reversal of subscription rights to shares	4	-	50	-
Other	80	121	989	1,495
	184	624	2,280	7,707
Other expenses				
Interest	3	5	48	64
Foreign exchange losses	793	-	9,796	-
Equity in losses of affiliates	9	-	117	-
Loss on investments in partnership	18	160	223	1,979
Loss on disposal of property and equipment	357	160	4,415	1,985
Loss on sales of stocks of subsidiaries and affiliates	27	-	338	-
Loss on sales of investment securities	7	-	90	-
Loss on valuation of investment securities	72	63	896	786
Impairment loss	394	45	4,870	562
Office transfer expenses	77	-	954	-
Non-recurring depreciation on noncurrent assets	93	-	1,160	-
Loss on valuation of software	49	-	610	-
Other	35	38	438	478
	1,940	473	23,961	5,855
Income before income taxes and minority interests	13,520	8,293	166,921	102,391
Income taxes	5,493	3,606	67,816	44,528
Minority interests	(72)	(208)	(893)	(2,570)
Net income	¥ 8,099	¥ 4,895	\$ 99,998	\$ 60,432

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥81=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 2010.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	2009
	¥	¥	\$	\$
Net income	8,099	4,895	99,998	60,432
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	4,240	5,828	52,348	71,951
Non-recurring depreciation on noncurrent assets	93	-	1,160	-
Accumulated impairment loss	394	45	4,870	562
Amortization of goodwill	457	520	5,652	6,429
Loss on valuation of software	49	-	610	-
Increase (decrease) in provision for bonuses	6	18	83	223
Increase (decrease) in provision for directors' bonuses	24	(6)	301	(81)
Increase (decrease) in reserve for employees' retirement benefits	(150)	(93)	(1,863)	(1,158)
Interest and dividends income	(27)	(16)	(336)	(201)
Interest expenses	3	5	48	64
Loss (gain) on sales and retirement of property, plant and equipment	353	136	4,367	1,684
Loss (gain) on sales and valuation of investments in securities	76	(32)	950	(405)
Loss (gain) on sales of stocks of subsidiaries and affiliates	24	-	300	-
Loss on compensation for damage	-	13	-	167
Decrease (increase) in trade receivables	(1,505)	(2,034)	(18,591)	(25,117)
Decrease (increase) in inventories	540	516	6,668	6,374
Increase (decrease) in trade payables	2,340	(636)	28,891	(7,857)
Other, net	1,914	1,594	23,641	19,682
Net cash provided by operating activities	16,937	10,752	209,100	132,749
Cash flows from investing activities				
Payment for purchase of property, plant and equipment	(2,007)	(9,851)	(24,786)	(121,618)
Proceeds from sales of property, plant and equipment	90	0	1,117	10
Payments for purchases of investments in securities	(188)	(288)	(2,332)	(3,564)
Payments for purchases of investments in securities	(597)	(11)	(7,370)	(140)
Proceeds from sales of investments in securities	0	200	0	2,480
Purchase of stocks of subsidiaries and affiliates	-	(17)	-	(221)
Proceeds from sales of stocks of subsidiaries and affiliates	93	-	1,158	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(418)	-	(5,162)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(57)	0	(707)	0
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	2	123	31	1,522
Payments of loans receivable	(1)	(78)	(14)	(966)
Collection of loans receivable	55	57	682	706
Other, net	(45)	103	(564)	1,271
Net cash used in investing activities	(2,655)	(10,180)	(32,784)	(125,682)
Cash flows from financing activities				
Proceeds from long-term loans payable	50	60	617	740
Repayment of long-term loans payable	(0)	(1)	(5)	(12)
Dividends paid	(2,067)	(1,836)	(25,523)	(22,674)
Other, net	(5)	(5)	(67)	(64)
Net cash used in financing activities	(2,023)	(1,782)	(24,978)	(22,010)
Effect of exchange rate changes on cash and cash equivalents	0	45	10	567
Net change in cash and cash equivalents	12,259	(1,164)	151,348	(14,375)
Cash and cash equivalents at beginning of year	14,945	16,110	184,508	198,883
Cash and cash equivalents at end of year	27,204	14,945	335,856	184,508

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥81=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 31, 2010.

CONSOLIDATED BALANCE SHEETS

Assets	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	2009
Current assets	¥	¥	\$	\$
Cash and cash equivalents	27,204	14,945	335,856	184,508
Trade receivables	19,437	17,965	239,970	221,801
Lease receivables and investment assets	121	124	1,497	1,537
Merchandise and finished goods	1,302	1,526	16,079	18,840
Work in process	3,363	3,730	41,522	46,051
Raw materials and supplies	135	90	1,669	1,120
Deferred tax assets	716	752	8,847	9,291
Others	1,376	1,389	16,988	17,155
Less allowance for doubtful receivables	(21)	(24)	(263)	(296)
Total current assets	53,635	40,500	662,167	500,009
Property, plant and equipment				
Buildings and structures	26,436	25,643	326,374	316,584
Machinery and equipment	33,683	35,542	415,849	438,799
Land	12,537	12,528	154,781	154,667
Construction in progress	248	562	3,072	6,944
Less accumulated depreciation	41,337	40,828	510,344	504,057
Net property, plant and equipment	31,568	33,447	389,733	412,938
Investment and other assets				
Goodwill	632	1,368	7,812	16,897
Investment securities	1,168	773	14,430	9,549
Long-term loans receivable	-	11	-	141
Deferred tax assets	1,862	1,898	22,999	23,435
Others	2,093	2,931	25,851	36,191
Less allowance for doubtful receivables	(23)	(29)	(285)	(362)
Total investments and other assets	5,735	6,954	70,807	85,853
Total assets	¥ 90,939	¥ 80,902	\$ 1,122,708	\$ 998,801

Liabilities and Net assets	Millions of yen		Thousands of U.S. dollars	
	2010	2009	2010	2009
Current liabilities	¥	¥	\$	\$
Notes and accounts payable	18,441	16,145	227,676	199,322
Lease obligations	31	26	384	324
Income taxes payable	1,320	1,453	16,308	17,943
Notes payable-facilities	461	-	5,693	-
Accrued expenses	3,877	2,518	47,875	31,094
Provision for bonuses	430	423	5,315	5,231
Provision for directors' bonuses	52	27	643	341
Others	1,826	1,460	22,551	18,030
Total current liabilities	26,442	22,055	326,448	272,290
Long-term liabilities				
Lease obligations	87	95	1,076	1,179
Benefits for employees' retirement	2,636	2,787	32,547	34,411
Provision for directors' retirement benefits	321	271	3,974	3,348
Negative goodwill	3	4	43	56
Others	90	96	1,113	1,192
Total long-term liabilities	3,139	3,255	38,755	40,188
Total liabilities	29,581	25,310	365,204	312,478
Net assets				
Stockholders' equity				
Common stock, par value ¥50 per share				
Authorized : 60,000,000 shares				
Issued : 41,471,826 shares	4,969	4,969	61,347	61,347
Additional paid-in capital	9,595	9,040	118,460	111,609
Retained earnings	47,228	41,651	583,070	514,221
Treasury stock	(70)	(1,278)	(871)	(15,778)
Total Shareholders' equity	61,722	54,383	762,006	671,399
Valuation, translation adjustments and others				
Other: Marketable securities valuation differential	107	82	1,324	1,016
Adjustment of exchange conversion	(755)	(529)	(9,328)	(6,535)
Total Valuation, translation adjustments and others	(648)	(447)	(8,004)	(5,519)
Subscription rights to shares	249	211	3,078	2,609
Minority interest	34	1,444	423	17,832
Total net assets	61,357	55,592	757,504	686,322
Total liabilities and net assets	¥ 90,939	¥ 80,902	\$ 1,122,708	\$ 998,801

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CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Millions of yen												
	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, 2009	¥ 4,969	¥ 9,040	¥ 41,651	¥ (1,278)	¥ 54,383	¥ 82	¥ -	¥ (529)	¥ (447)	¥ 211	¥ 1,444	¥ 55,592
Cash dividends			(2,076)		(2,076)							(2,076)
Net income			8,099		8,099							8,099
Purchases of treasury stock				(5)	(5)							(5)
Disposition of treasury stock				4	4							4
Increase by share exchanges		107		1,208	1,316							1,316
Transfer to capital stock from other capital surplus		447	(447)		-							-
Other, net					-	24		(226)	(201)	38	(1,410)	(1,573)
Balance at December 31, 2010	¥ 4,969	¥ 9,595	¥ 47,228	¥ (70)	¥ 61,722	¥ 107	¥ -	¥ (755)	¥ (648)	¥ 249	¥ 34	¥ 61,357

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, 2009	\$ 61,347	\$ 111,609	\$ 514,221	\$ (15,778)	\$ 671,399	\$ 1,016	\$ -	\$ (6,535)	\$ (5,519)	\$ 2,609	\$ 17,832	\$ 686,321
Cash dividends			(25,630)		(25,630)							(25,630)
Net income			99,998		99,998							99,998
Purchases of treasury stock				(67)	(67)							(67)
Disposition of treasury stock				50	50							50
Increase by share exchanges		1,332		14,922	16,254							16,254
Transfer to capital stock from other capital surplus		5,518	(5,518)		-							-
Other, net					-	307		(2,793)	(2,486)	469	(17,409)	(19,895)
Balance at December 31, 2010	\$ 61,347	\$ 118,460	\$ 583,070	\$ (871)	\$ 762,006	\$ 1,324	\$ -	\$ (9,328)	\$ (8,004)	\$ 3,078	\$ 423	\$ 757,504

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