



CANON ELECTRONICS INC.

SEMI-ANNUAL REPORT 2004 (Unaudited)

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)	
	For the six-month periods ended June 30.			
	2004	2003	2004	2003
	¥	¥	\$	\$
Net sales				
Component	24,034	20,934	222,533	193,829
Electronic Information Appliance and others.	16,800	17,430	155,558	161,389
Total	40,834	38,364	378,091	355,218
Net Income	2,834	2,634	26,243	24,390
Net income per common share				
assuming no dilution	102.67	95.36	0.95	0.88
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
	¥	¥	\$	\$
Total assets	53,522	46,573	495,572	431,231
Stockholders' equity	25,448	22,856	235,627	211,631

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	For the six-month periods ended June 30.			
	2004	2003	2004	2003
	¥	¥	\$	\$
Net sales	40,834	38,364	378,091	355,218
Cost of sales	32,152	31,505	297,706	291,711
Gross profit	8,682	6,859	80,385	63,507
Selling, general and administrative expenses	3,912	4,269	36,220	39,522
Operating profit	4,770	2,590	44,165	23,985
Other income				
Interest and dividends	3	5	28	40
Exchange gains	30	29	276	267
Gain on return of substituted portion of the governmental welfare pension program	-	1,962	-	18,167
Other	60	68	561	633
	93	2,064	865	19,107
Other expenses				
Interest	2	4	20	39
Other	227	136	2,098	1,257
	229	140	2,118	1,296
Income before income taxes and minority interests	4,634	4,514	42,912	41,796
Income taxes	1,800	1,880	16,669	17,406
Net income	¥ 2,834	¥ 2,634	\$ 26,243	\$ 24,390

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥108=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2004.

CONSOLIDATED STATEMENT OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2004	For the six-month periods ended June 30. 2003	2004	2003
	¥	¥	\$	\$
Net income	2,834	2,634	26,243	24,390
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	1,053	1,049	9,752	9,716
Discrepancy due to change to retirement benefit accounting	(59)	(1,829)	(551)	(16,935)
Loss on disposal of property and equipment	134	53	1,238	489
Decrease (increase) in trade receivables	(1,854)	(1,101)	(17,169)	(10,193)
Decrease (increase) in inventories	(717)	(216)	(6,640)	(1,999)
Increase (decrease) in trade payables	2,400	2,257	22,219	20,901
Other, net	191	2,052	1,777	18,988
Net cash provided by operating activities	3,982	4,899	36,869	45,357
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(2,088)	(952)	(19,334)	(8,819)
Other	(86)	(162)	(796)	(1,499)
Net cash used in investing activities	(2,174)	(1,114)	(20,130)	(10,318)
Cash flows from financing activities				
Increase (decrease) in short-term loans	-	(2,421)	-	(22,418)
Dividends paid	(221)	(138)	(2,051)	(1,282)
Other	(17)	(10)	(147)	(92)
Net cash used in financing activities	(238)	(2,569)	(2,198)	(23,792)
Effect of exchange rate changes on cash and cash equivalents	(10)	(14)	(96)	(120)
Net change in cash and cash equivalents	1,560	1,202	14,445	11,127
Cash and cash equivalents at beginning of year	9,633	6,550	89,194	60,647
Cash and cash equivalents at end of year	11,193	7,752	103,639	71,774

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥108=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2004.

