


**CANON ELECTRONICS INC.**
**SEMI-ANNUAL REPORT 2005 (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.		ended June 30.	
	2005	2004	2005	2004
	¥	¥	\$	\$
Net sales				
Component	26,229	24,034	236,295	216,519
Electronic Information Appliance and others.	20,267	16,800	182,591	151,353
<b>Total</b>	<b>46,496</b>	<b>40,834</b>	<b>418,886</b>	<b>367,872</b>
Net Income	3,625	2,834	32,654	25,534
Net income per common share				
assuming no dilution	131.37	102.67	1.18	0.92
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	June 30, 2005	December 31, 2004	June 30, 2005	December 31, 2004
	¥	¥	\$	\$
Total assets	60,374	57,220	543,912	515,497
Stockholders' equity	31,583	28,480	284,533	256,575

**CONSOLIDATED STATEMENT OF INCOME**

	Millions of yen		Thousands of U.S. dollars	
	For the six-month periods ended June 30.		ended June 30.	
	2005	2004	2005	2004
	¥	¥	\$	\$
Net sales	46,496	40,834	418,886	367,872
Cost of sales	37,071	32,152	333,973	289,659
Gross profit	9,425	8,682	84,913	78,213
Selling, general and administrative expenses	3,582	3,912	32,278	35,241
Operating profit	5,843	4,770	52,635	42,972
Other income				
Interest and dividends	9	3	75	28
Exchange gains	141	30	1,268	269
Other	65	60	597	544
	215	93	1,940	841
Other expenses				
Interest	1	2	11	19
Other	156	227	1,404	2,042
	157	229	1,415	2,061
Income before income taxes and minority interests	5,901	4,634	53,160	41,752
Income taxes	2,276	1,800	20,506	16,218
Net income	¥ 3,625	2,834	32,654	25,534

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥111=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2005.

CONSOLIDATED STATEMENT OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2005	For the six-month periods ended June 30. 2004	2005	2004
	¥	¥	\$	\$
Net income	3,625	2,834	32,654	25,534
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	1,571	1,053	14,152	9,488
Discrepancy due to change to retirement benefit accounting	(183)	(59)	(1,652)	(536)
Loss on disposal of property and equipment	137	134	1,236	1,204
Decrease (increase) in trade receivables	(1,399)	(1,854)	(12,605)	(16,705)
Decrease (increase) in inventories	(519)	(717)	(4,679)	(6,461)
Increase (decrease) in trade payables	598	2,400	5,389	21,619
Other, net	46	191	422	1,729
Net cash provided by operating activities	3,876	3,982	34,917	35,872
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(3,694)	(2,088)	(33,276)	(18,812)
Other	(84)	(86)	(754)	(773)
Net cash used in investing activities	(3,778)	(2,174)	(34,030)	(19,585)
Cash flows from financing activities				
Dividends paid	(522)	(221)	(4,704)	(1,995)
Other	(19)	(17)	(170)	(144)
Net cash used in financing activities	(541)	(238)	(4,874)	(2,139)
Effect of exchange rate changes on cash and cash equivalents	(14)	(10)	(128)	(93)
Net change in cash and cash equivalents	(457)	1,560	(4,115)	14,055
Cash and cash equivalents at beginning of year	14,175	9,633	127,703	86,783
Cash and cash equivalents at end of year	13,718	11,193	123,588	100,838

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥111=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2005.

