



CANON ELECTRONICS INC.

SEMI-ANNUAL REPORT 2006 (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.			
	2006	2005	2006	2005
	¥	¥	\$	\$
Net sales				
Component	29,004	26,229	252,212	228,076
Electronic Information Appliance and others.	19,410	20,267	168,776	176,240
Total	48,414	46,496	420,988	404,316
Net Income	4,058	3,625	35,291	31,518
Net income per common share				
assuming no dilution	147.12	131.37	1.28	1.14
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	¥	¥	\$	\$
Total assets	67,584	61,523	587,684	534,986
Stockholders' equity	37,890	34,604	329,478	300,908

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	For the six-month periods ended June 30.			
	2006	2005	2006	2005
	¥	¥	\$	\$
Net sales	48,414	46,496	420,988	404,316
Cost of sales	37,814	37,071	328,818	322,357
Gross profit	10,600	9,425	92,170	81,959
Selling, general and administrative expenses	4,064	3,582	35,337	31,154
Operating profit	6,536	5,843	56,833	50,805
Other income				
Interest and dividends	25	9	218	73
Exchange gains	0	141	0	1,224
Other	86	65	743	575
	111	215	961	1,872
Other expenses				
Interest	1	1	5	11
Exchange loss	36	0	310	0
Other	75	156	651	1,355
	112	157	966	1,366
Income before income taxes and minority interests	6,535	5,901	56,828	51,311
Income taxes	2,477	2,276	21,537	19,793
Minority interests	0	0	0	0
Adjustment of exchange conversation	0	0	0	0
Net income	¥ 4,058	¥ 3,625	\$ 35,291	\$ 31,518

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥115=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2006.

CONSOLIDATED STATEMENT OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2006	For the six-month periods ended June 30. 2005	2006	2005
	¥	¥	\$	\$
Net income	4,058	3,625	35,291	31,518
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	1,737	1,571	15,102	13,660
Discrepancy due to change to retirement benefit accounting	(329)	(183)	(2,860)	(1,595)
Loss on disposal of property and equipment	48	137	412	1,193
Decrease (increase) in trade receivables	(1,417)	(1,399)	(12,324)	(12,166)
Decrease (increase) in inventories	(697)	(519)	(6,064)	(4,516)
Increase (decrease) in trade payables	1,876	598	16,315	5,201
Other, net	42	46	373	407
Net cash provided by operating activities	5,318	3,876	46,245	33,702
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(1,757)	(3,694)	(15,277)	(32,118)
Other	(461)	(84)	(4,008)	(728)
Net cash used in investing activities	(2,218)	(3,778)	(19,285)	(32,846)
Cash flows from financing activities				
Dividends paid	(715)	(522)	(6,221)	(4,540)
Other	(2)	(19)	(17)	(165)
Net cash used in financing activities	(717)	(541)	(6,238)	(4,705)
Effect of exchange rate changes on cash and cash equivalents	1	(14)	5	(123)
Net change in cash and cash equivalents	2,384	(457)	20,727	(3,972)
Cash and cash equivalents at beginning of year	14,959	14,175	130,082	123,261
Cash and cash equivalents at end of year	17,343	13,718	150,809	119,289

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥115=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2006.

