

Canon

CANON ELECTRONICS INC.

SEMI-ANNUAL REPORT 2007 (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.			
	2007	2006	2007	2006
	¥	¥	\$	\$
Net sales				
Component	34,318	29,004	279,009	235,808
Electronic Information Appliance and others.	21,598	19,410	175,592	157,798
Total	55,916	48,414	454,601	393,606
Net Income	4,891	4,058	39,765	32,996
Net income per common share				
assuming no dilution	118.22	98.08	0.96	0.80
assuming full dilution	-	-	-	-

Notes: We have made a three-for-two stock split on January 1, 2007. All per share information has been adjusted to reflect the stock split.

	Millions of yen		Thousands of U.S. dollars	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	¥	¥	\$	\$
Total assets	79,450	74,316	645,933	604,192
Net assets	47,345	43,273	384,918	351,814

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	For the six-month periods ended June 30.			
	2007	2006	2007	2006
	¥	¥	\$	\$
Net sales	55,916	48,414	454,601	393,606
Cost of sales	43,186	37,814	351,106	307,431
Gross profit	12,730	10,600	103,495	86,175
Selling, general and administrative expenses	5,714	4,064	46,455	33,038
Operating profit	7,016	6,536	57,040	53,137
Other income				
Interest and dividends	49	25	396	204
Exchange gains	126	-	1,023	-
Gain on sales of investments in subsidiaries	715	-	5,810	-
Other	149	85	1,220	695
	1,039	110	8,449	899
Other expenses				
Interest	1	1	10	4
Exchange loss	-	36	-	290
Other	83	74	675	610
	84	111	685	904
Income before income taxes and minority interests	7,971	6,535	64,804	53,132
Income taxes	3,104	2,477	25,236	20,136
Minority interests	(24)	-	(197)	-
Net income	¥ 4,891	¥ 4,058	\$ 39,765	\$ 32,996

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥123=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 29, 2007.

CONSOLIDATED STATEMENT OF CASH FLOW

2/4

	Millions of yen		Thousands of U.S. dollars	
	2007	For the six-month periods ended June 30. 2006	2007	2006
Net income	¥ 4,891	¥ 4,058	\$ 39,765	\$ 32,996
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	1,882	1,737	15,304	14,120
Increase (decrease) in reserve for employees' retirement benefits	(209)	(329)	(1,699)	(2,674)
Amortization of good will	129	-	1,053	-
Loss on disposal of property and equipment	33	48	270	386
Gain on sales of investments in subsidiaries	(715)	-	(5,810)	-
Decrease (increase) in trade receivables	(129)	(1,417)	(1,050)	(11,522)
Decrease (increase) in inventories	(399)	(697)	(3,241)	(5,669)
Increase (decrease) in trade payables	889	1,876	7,227	15,254
Other, net	240	42	1,940	347
Net cash provided by operating activities	6,612	5,318	53,759	43,238
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(3,389)	(1,757)	(27,556)	(14,283)
Proceeds from sale of investment in subsidiaries	1,181	-	9,601	-
Other	(847)	(461)	(6,886)	(3,747)
Net cash used in investing activities	(3,055)	(2,218)	(24,841)	(18,030)
Cash flows from financing activities				
Dividends paid	(964)	(715)	(7,837)	(5,816)
Other	(22)	(2)	(176)	(16)
Net cash used in financing activities	(986)	(717)	(8,013)	(5,832)
Effect of exchange rate changes on cash and cash equivalents	(33)	1	(272)	4
Net change in cash and cash equivalents	2,538	2,384	20,633	19,380
Cash and cash equivalents at beginning of year	17,716	14,959	144,033	121,621
Cash and cash equivalents at end of year	20,254	17,343	164,666	141,001

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥123=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 29, 2007.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Millions of yen											
Stockholders' equity					Valuation, translation adjustments and others					Minority interests	Total net assets
Common stock	Capital surplus	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, 2006	¥ 4,969	¥ 9,038	¥ 28,128	¥ (97)	¥ 42,038	¥ 41	¥ (15)	¥ (246)	¥ (220)	¥ 1,455	¥ 43,273
Cash dividends			(965)		(965)				-		(965)
Net income			4,891		4,891				-		4,891
Purchases of treasury stock				(24)	(24)				-		(24)
Disposition of treasury stock		2		1	3				-		3
Other, net					-	58	10	63	131	36	167
Balance at June 30, 2007	¥ 4,969	¥ 9,040	¥ 32,054	¥ (120)	¥ 45,943	¥ 99	¥ (5)	¥ (183)	¥ (89)	¥ 1,491	¥ 47,345

Millions of yen											
Stockholders' equity					Valuation, translation adjustments and others					Minority interests	Total net assets
Common stock	Capital surplus	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, 2006	\$ 40,400	\$ 73,483	\$ 228,685	\$ (789)	\$ 341,779	\$ 334	\$ (126)	\$ (1,998)	\$ (1,790)	\$ 11,825	\$ 351,814
Cash dividends			(7,850)		(7,850)				-		(7,850)
Net income			39,765		39,765				-		39,765
Purchases of treasury stock				(192)	(192)				-		(192)
Disposition of treasury stock		11		5	16				-		16
Other, net					-	476	82	510	1,068	297	1,365
Balance at June 30, 2007	\$ 40,400	\$ 73,494	\$ 260,600	\$ (976)	\$ 373,518	\$ 810	\$ (44)	\$ (1,488)	\$ (722)	\$ 12,122	\$ 384,918

Note: U.S. Dollar amounts are translated from yen at the rate of ¥123=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 29, 2007.