


CANON ELECTRONICS INC.
SEMI-ANNUAL REPORT 2008 (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.			
	2008	2007	2008	2007
	¥	¥	\$	\$
Net sales				
Component	36,341	34,318	342,838	323,756
Electronic Information Appliance and others.	23,741	21,598	223,974	203,753
Total	60,082	55,916	566,812	527,509
Net Income	4,429	4,891	41,783	46,142
Net income per common share				
assuming no dilution	107.99	118.22	1.02	1.12
assuming full dilution	107.97	-	1.02	-

	Millions of yen		Thousands of U.S. dollars	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	¥	¥	\$	\$
Total assets	84,365	80,291	795,895	757,465
Net assets	51,919	50,187	489,805	473,460

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars	
	For the six-month periods ended June 30.			
	2008	2007	2008	2007
	¥	¥	\$	\$
Net sales	60,082	55,916	566,812	527,509
Cost of sales	47,029	43,186	443,674	407,415
Gross profit	13,053	12,730	123,138	120,094
Selling, general and administrative expenses	5,390	5,714	50,850	53,906
Operating profit	7,663	7,016	72,288	66,188
Other income				
Interest and dividends	31	49	291	459
Exchange gain	-	126	-	1,187
Gain on sales of investments in securities	35	733	330	6,908
Equity in earnings of affiliates	7	0	61	1
Other	210	131	1,993	1,249
	283	1,039	2,675	9,804
Other expenses				
Interest	3	1	32	12
Exchange losses	228	-	2,155	-
Loss on sales and retirement of noncurrent assets	30	33	287	313
Other	319	50	2,995	470
	580	84	5,469	795
Income before income taxes and minority interests	7,366	7,971	69,494	75,197
Income taxes	3,071	3,104	28,978	29,283
Minority interests	(134)	(24)	(1,267)	(228)
Net income	¥ 4,429	¥ 4,891	\$ 41,783	\$ 46,142

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥106=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2008

CONSOLIDATED STATEMENTS OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2008	For the six-month periods ended June 30, 2007	2008	2007
Net income	¥ 4,429	¥ 4,891	\$ 41,783	\$ 46,142
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	2,836	1,882	26,752	17,758
Amortization of consolidation differences	179	129	1,690	1,221
Increase(decrease)in reserve for employees' retirement benefits	(303)	(209)	(2,854)	(1,971)
Loss on disposal of property and equipment	30	33	287	313
Gain on sales of investments in securities	(35)	(733)	(330)	(6,908)
Decrease (increase) in trade receivables	885	(129)	8,352	(1,218)
Decrease (increase) in inventories	(742)	(399)	(7,003)	(3,760)
Increase (decrease) in trade payables	2,533	889	23,894	8,386
Other, net	(476)	258	(4,496)	2,417
Net cash provided by operating activities	9,336	6,612	88,075	62,380
Cash flows from investing activities				
Payment for purchase of property , plant and equipment	(7,073)	(3,389)	(66,728)	(31,976)
Payments for purchases of investments in securities	(267)	(172)	(2,516)	(1,620)
Proceeds from sales of investments in securities	70	1,330	660	12,550
Acquisitions of subsidiaries, net of cash acquired	(209)	(300)	(1,967)	(2,830)
Other, net	(362)	(524)	(3,416)	(4,949)
Net cash used in investing activities	(7,841)	(3,055)	(73,967)	(28,825)
Cash flows from financing activities				
Dividends paid	(1,330)	(964)	(12,545)	(9,093)
Purchase of treasury stock	(1,153)	(24)	(10,882)	(222)
Other, net	(125)	2	(1,180)	17
Net cash used in financing activities	(2,608)	(986)	(24,607)	(9,298)
Effect of exchange rate changes on cash and cash equivalents	52	(33)	497	(316)
Net change in cash and cash equivalents	(1,061)	2,538	(10,002)	23,941
Cash and cash equivalents at beginning of year	19,559	17,716	184,516	167,133
Cash and cash equivalents at end of year	18,498	20,254	174,514	191,074

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CONSOLIDATED BALANCE SHEETS

Assets	Millions of yen		Thousands of U.S. dollars	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Current assets	¥	¥	\$	\$
Cash and cash equivalents	18,498	19,559	174,514	184,516
Trade receivables	20,539	21,293	193,760	200,881
Inventories	5,855	5,113	55,237	48,234
Other	2,538	2,503	23,938	23,609
Less allowance for doubtful receivables	(9)	(4)	(86)	(34)
Total current assets	47,421	48,464	447,363	457,206
Property, plant and equipment				
Buildings and structures	20,023	18,473	188,895	174,275
Machinery and equipment	33,532	31,683	316,342	298,891
Land	10,097	7,354	95,256	69,379
Construction in progress	1,352	493	12,749	4,657
Less accumulated depreciation	34,861	32,501	328,875	306,613
Net property, plant and equipment	30,143	25,502	284,367	240,589
Investment and other assets				
Investments in securities	1,373	1,337	12,955	12,609
Good will	1,333	1,216	12,579	11,469
Other	4,095	3,772	38,631	35,592
Total investments and other assets	6,801	6,325	64,165	59,670
Total assets	¥ 84,365	¥ 80,291	\$ 795,895	\$ 757,465

Liabilities and Net assets	Millions of yen		Thousands of U.S. dollars	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Current liabilities	¥	¥	\$	\$
Notes and accounts payable	21,874	19,303	206,358	182,107
Income taxes payable	3,116	3,373	29,394	31,819
Accrued expenses	1,723	1,799	16,257	16,973
Construction notes payable	46	93	437	879
Other	2,080	1,675	19,621	15,795
Total current liabilities	28,839	26,243	272,067	247,573
Noncurrent liabilities				
Benefits for employees' retirement	3,180	3,477	30,002	32,801
Other	427	384	4,021	3,631
Total long-term liabilities	3,607	3,861	34,023	36,432
Total liabilities	32,446	30,104	306,090	284,005
Net assets				
Shareholders' equity				
Capital stock, par value ¥50 per share				
Authorized : 60,000,000 shares				
Issued : 41,471,826 shares	4,969	4,969	46,879	46,879
Capital surplus	9,040	9,040	85,287	85,287
Retained earnings	38,226	35,121	360,621	331,327
Treasury stock	(1,276)	(123)	(12,044)	(1,163)
Total Shareholders' equity	50,959	49,007	480,743	462,330
Valuation and translation adjustments				
Valuation difference on available-for-sale securities	(39)	7	(362)	62
Deferred gains or losses on hedges	(22)	(1)	(208)	(6)
Foreign currency translation adjustment	(281)	(240)	(2,653)	(2,263)
Total Valuation and translation adjustments	(342)	(234)	(3,223)	(2,207)
Minority interest	1,280	1,414	12,080	13,337
Subscription rights to shares	22	-	205	-
Total net assets	51,919	50,187	489,805	473,460
Total liabilities and net assets	¥ 84,365	¥ 80,291	\$ 795,895	\$ 757,465

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CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Millions of yen											
	Shareholders' equity					Valuation, translation adjustments				Minority interests	Subscription rights to shares	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, 2007	¥ 4,969	¥ 9,040	¥ 35,121	¥ (123)	¥ 49,007	¥ 7	¥ (1)	¥ (240)	¥ (234)	¥ 1,414	¥ -	¥ 50,187
Cash dividends			(1,324)		(1,324)							(1,324)
Net income			4,429		4,429							4,429
Purchases of treasury stock				(1,153)	(1,153)							(1,153)
Disposition of treasury stock				0	0							0
Other, net		0				(46)	(21)	(41)	(108)	(134)	22	(220)
Balance at June 30, 2008	¥ 4,969	¥ 9,040	¥ 38,226	¥ (1,276)	¥ 50,959	¥ (39)	¥ (22)	¥ (281)	¥ (342)	¥ 1,280	¥ 22	¥ 51,919

	Thousands of U.S. dollars											
	Shareholders' equity					Valuation, translation adjustments				Minority interests	Subscription rights to shares	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, 2007	\$ 46,879	\$ 85,287	\$ 331,327	\$ (1,163)	\$ 462,330	\$ 62	\$ (6)	\$ (2,263)	\$ (2,207)	\$ 13,337	\$ -	\$ 473,460
Cash dividends			(12,489)		(12,489)							(12,489)
Net income			41,783		41,783							41,783
Purchases of treasury stock				(10,881)	(10,881)							(10,881)
Disposition of treasury stock				0	0							0
Other, net		0				(424)	(202)	(390)	(1,016)	(1,257)	205	(2,068)
Balance at June 30, 2008	\$ 46,879	\$ 85,287	\$ 360,621	\$ (12,044)	\$ 480,743	\$ (362)	\$ (208)	\$ (2,653)	\$ (3,223)	\$ 12,080	\$ 205	\$ 489,805

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