


CANON ELECTRONICS INC.
SEMI-ANNUAL REPORT 2010(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. | | | |
| | 2010 | 2009 | 2010 | 2009 |
| | ¥ | ¥ | \$ | \$ |
| Net sales | | | | |
| Component | 31,557 | 19,926 | 358,604 | 226,436 |
| Electronic Information Appliance and others. | 26,497 | 20,292 | 301,111 | 230,597 |
| Total | 58,055 | 40,218 | 659,715 | 457,033 |
| Net Income | 3,576 | 1,273 | 40,644 | 14,476 |
| Net income per common share | | | | |
| assuming no dilution | 86.39 | 31.17 | 0.98 | 0.35 |
| assuming full dilution | - | - | - | - |

| | Millions of yen | | Thousands of U.S. dollars | |
|--------------|--|--------|---------------------------|---------|
| | For the six-month periods ended June 30. | | | |
| | 2010 | 2009 | 2010 | 2009 |
| | ¥ | ¥ | \$ | \$ |
| Total assets | 86,319 | 80,902 | 980,900 | 919,350 |
| Net assets | 58,063 | 55,592 | 659,816 | 631,729 |

CONSOLIDATED STATEMENTS OF INCOME

| | Millions of yen | | Thousands of U.S. dollars | |
|--|--|---------|---------------------------|-----------|
| | For the six-month periods ended June 30. | | | |
| | 2010 | 2009 | 2010 | 2009 |
| | ¥ | ¥ | \$ | \$ |
| Net sales | 58,055 | 40,218 | 659,716 | 457,033 |
| Cost of sales | 45,542 | 32,571 | 517,525 | 370,127 |
| Gross profit | 12,512 | 7,647 | 142,190 | 86,906 |
| Selling, general and administrative expenses | 5,907 | 5,757 | 67,134 | 65,429 |
| Operating profit | 6,604 | 1,889 | 75,055 | 21,476 |
| Other income | | | | |
| Interest and dividends | 12 | 9 | 137 | 104 |
| Foreign exchange gains | - | 339 | - | 3859 |
| Rent income | 35 | 20 | 400 | 233 |
| Reversal of allowance for doubtful accounts | 2 | 11 | 27 | 129 |
| Reversal of provision for retirement benefits | - | 22 | - | 256 |
| Gain on liquidation of investment securities | 1 | - | 21 | - |
| Gain on reversal of subscription rights to shares | 4 | - | 46 | - |
| Other | 50 | 65 | 572 | 751 |
| | 106 | 469 | 1,205 | 5,335 |
| Other expenses | | | | |
| Interest | 2 | 1 | 26 | 18 |
| Foreign exchange losses | 258 | - | 2,932 | - |
| Equity in losses of affiliates | 7 | - | 81 | - |
| Loss on investments in partnership | 18 | 96 | 210 | 1,097 |
| Loss on cancellation of operations consignment | 18 | - | 214 | - |
| Loss on disposal of property and equipment | 189 | 22 | 2,150 | 254 |
| Loss on sales of stocks of subsidiaries and affiliates | 27 | - | 311 | - |
| Loss on valuation of investment securities | 56 | 49 | 637 | 563 |
| Impairment loss | 97 | - | 1,107 | - |
| Office transfer expenses | 5 | - | 66 | - |
| Non-recurring depreciation on noncurrent assets | 93 | - | 1,067 | - |
| Other | 4 | 8 | 47 | 93 |
| | 779 | 178 | 8,854 | 2,025 |
| Income before income taxes and minority interests | 5,931 | 2,181 | 67,407 | 24,786 |
| Income taxes | 2,409 | 1,019 | 27,377 | 11,583 |
| Minority interests | (54) | (112) | (615) | (1,272) |
| Net income | ¥ 3,576 | ¥ 1,273 | \$ 40,644 | \$ 14,476 |

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥88=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2010.

CONSOLIDATED STATEMENTS OF CASH FLOW

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| | Millions of yen | | Thousands of U.S. dollars | |
|---|--|---------|---------------------------|----------|
| | For the six-month periods ended June 30. | | | |
| | 2010 | 2009 | 2010 | 2009 |
| | ¥ | ¥ | \$ | \$ |
| Net income | 3,576 | 1,273 | 40,644 | 14,476 |
| Adjustment to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation and amortization | 2,069 | 2,906 | 23,518 | 33,032 |
| Non-recurring depreciation on noncurrent assets | 93 | - | 1,067 | - |
| Accumulated impairment loss | 97 | - | 1,107 | - |
| Amortization of goodwill | 234 | 264 | 2,670 | 3,002 |
| Increase (decrease) in provision for bonuses | 484 | 577 | 5,506 | 6,566 |
| Increase (decrease) in provision for directors' bonuses | (7) | (28) | (87) | (321) |
| Increase (decrease) in reserve for employees' retirement benefits | (10) | (54) | (124) | (616) |
| Interest and dividends income | (12) | (9) | (137) | (104) |
| Interest expenses | 2 | 1 | 26 | 18 |
| Loss (gain) on sales and retirement of property, plant and equipment | 189 | 4 | 2,148 | 52 |
| Loss (gain) on sales and valuation of investments in securities | 56 | 48 | 637 | 545 |
| Loss (gain) on sales of stocks of subsidiaries and affiliates | 27 | - | 311 | - |
| Decrease (increase) in trade receivables | (1,391) | 890 | (15,813) | 10,120 |
| Decrease (increase) in inventories | (134) | (314) | (1,523) | (3,572) |
| Increase (decrease) in trade payables | 2,205 | (4,842) | 25,058 | (55,029) |
| Other, net | 59 | (385) | 671 | (4,376) |
| Net cash provided by operating activities | 7,540 | 333 | 85,682 | 3,792 |
| Cash flows from investing activities | | | | |
| Payment for purchase of property, plant and equipment | (898) | (4,073) | (10,215) | (46,294) |
| Payments for purchases of investments in securities | (3) | (0) | (40) | (8) |
| Proceeds from sales of investments in securities | 0 | 4 | 0 | 52 |
| Purchase of stocks of subsidiaries and affiliates | - | (17) | - | (203) |
| Acquisitions of subsidiaries, net of cash acquired | (57) | (412) | (651) | (4,690) |
| Payments of loans receivable | - | (12) | - | (145) |
| Collection of loans receivable | 55 | 7 | 625 | 84 |
| Other, net | 24 | 139 | 273 | 1,583 |
| Net cash used in investing activities | (880) | (4,366) | (10,009) | (49,621) |
| Cash flows from financing activities | | | | |
| Proceeds from long-term loans payable | 50 | - | 568 | - |
| Repayment of long-term loans payable | (0) | - | (4) | - |
| Dividends paid | (1,018) | (1,230) | (11,568) | (13,979) |
| Other, net | (5) | (0) | (62) | (3) |
| Net cash used in financing activities | (973) | (1,230) | (11,067) | (13,982) |
| Effect of exchange rate changes on cash and cash equivalents | 51 | (317) | 580 | (3,611) |
| Net change in cash and cash equivalents | 5,736 | (5,581) | 65,184 | (63,422) |
| Cash and cash equivalents at beginning of year | 14,945 | 16,109 | 169,831 | 183,063 |
| Cash and cash equivalents at end of year | 20,681 | 10,528 | 235,015 | 119,640 |

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥88=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30, 2010.

