Canon

CANON ELECTRONICS INC.

ANNUAL REPORT 2015(Unaudited)

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millio	Thousands	Thousands of U.S. dollars			
	(except per	(except per	share amounts)			
	2015	2014	2015	2014		
	¥	¥	\$	\$		
Net sales						
Component	48,564	51,537	401,359	425,929		
Electronic Information Appliance	31,932	34,033	263,908	281,269		
Other	8,876	9,911	73,359	81,913		
Total	89,373	95,482	738,627	789,112		
Net Income	6,951	7,377	57,452	60,971		
Net income per common share						
assuming no dilution	170.31	178.77	1.41	1.48		
assuming full dilution	-	-	-	-		

	Million	ns of yen	Thousands of U.S. dollars		
	2015	2014	2015	2014	
	¥	¥	\$	\$	
Total assets	101,806	101,542	841,374	839,195	
Net assets	78,539	75,996	649,087	628,073	

CONSOLIDATED STATEMENTS OF INCOME

	Millior	is of yen	Thousands of U.S. dollars		
	2015	2014	2015	2014	
	¥	¥	\$	\$	
Net sales	89,373	95,482	738,627	789,112	
Cost of sales	68,033	75,523	562,257	624,157	
Gross profit (loss)	21,340	19,959	176,370	164,954	
Selling, general and administrative expenses	10,816	11,162	89,395	92,249	
Operating income (loss)	10,523	8,797	86,974	72,704	
Other income					
Foreign exchange gains	-	1,585	-	13,102	
Interest and dividend income	80	51	668	425	
Gain on reversal of subscription rights to shares	-	225		1,864	
Other	107	127	894	1,056	
	188	1,989	1,563	16,449	
Other expenses					
Foreign exchange losses	25	-	214	-	
Loss on sales and retirement of non-current assets	10	14	88	120	
Loss on valuation of investment securities	56	47	465	394	
Other	7	36	59	305	
	100	98	827	819	
Income (loss) before income taxes	10,612	10,688	87,710	88,333	
Income taxes	3,655	3,310	30,210	27,357	
Minority interests in income	5	0	47	5	
Profit (loss)	¥ 6,951	7,377	57,452	60,971	

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥121=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30,2015.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Million	ns of yen	Thousands of U.S. dollars			
	2015	2014	2015	2014		
	¥	¥	\$	\$		
Income (loss) before minority interests	6,957	7,378	57,500	60,976		
Other comprehensive income						
Valuation difference on available-for-sale securities	68	(25)	563	(209)		
Foreign currency translation adjustment	(374)	803	(3,092)	6,640		
Remeasurements of defined benefit plans, net of tax	(828)	-	(6,845)	-		
	(1,134)	778	(9,374)	6,431		
Comprehensive income	5,823	8,156	48,125	67,408		
Profit attributable to						
Comprehensive income attributable to owners of parent	5,817	8,155	48,078	67,402		
Comprehensive income attributable to minority interests	5	0	47	5		

	Million	is of yen	Thousands of	of U.S. dollars
·	2015	2014	2015	2014
¥		¥	\$	\$
Profit (loss)	6,957	7,378	57,500	60,976
Adjustment to reconcile net income to net cash				
provided by operating activities				
Depreciation	3,278	3,995	27,092	33,019
Increase (decrease) in provision for bonuses	5	(2)	47	(19)
Increase (decrease) in provision for directors' bonuses	(0)	(6)	(4)	(52
Increase (decrease) in provision for loss on order received	39	(8)	326	(66
Increase (decrease) in net defined benefit liability	(1,457)	(309)	(12,041)	(2,558
Interest and dividend income	(80)	(51)	(668)	(425
Loss (gain) on sales and retirement of property, plant and equipment	9	14	77	118
Loss (gain) on sales and retirement of property, plant and equipment	55	47	457	394
		**		
Decrease (increase) in notes and accounts receivable - trade	3,963	(1,701)	32,758	(14,062)
Decrease (increase) in inventories	492	447	4,069	3,695
Increase (decrease) in notes and accounts payable - trade	(2,324)	1,123	(19,213)	9,281
Other, net	(390)	(767)	(3,228)	(6,338)
Net cash provided by (used in) operating activities	10,547	10,159	87,172	83,962
Cash flows from investing activities				
Cash nows from investing activities				
Purchase of property, plant and equipment	(2,472)	(3,811)	(20,432)	(31,500)
Proceeds from sales of property, plant and equipment	5	1	44	16
Purchase of intangible assets	(316)	(222)	(2,615)	(1,835)
Purchase of investment securities	(2)	(86)	(24)	(714)
Payments of loans receivable	(15,000)	·	(123,966)	
Other, net	(334)	(98)	(2,764)	(816)
Net cash provided by (used in) investing activities	(18,121)	(4,217)	(149,760)	(34,851)
Cash flows from financing activities		· · ·		
Cash nows from financing activities				
Cash dividends paid	(2,447)	(2,486)	(20,223)	(20,550)
Purchase of treasury shares	-	(1,499)	· · · · ·	(12,395)
Other, net	(3)	(3)	(31)	(25)
Net cash provided by (used in) financing activities	(2,450)	(3,989)	(20,254)	(32,971)
	` '	•	, · · · · ·	
Effect of exchange rate change on cash and cash equivalents	(263)	301	(2,177)	2,494
Net increase (decrease) in cash and cash equivalents	(10,287)	2,254	(85,020)	18,634
Cash and cash equivalents at beginning of period	29,476	27,326	243,609	225,835
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(104)	-	(860)
Cash and cash equivalents at end of period	19,189	29,476	158,589	243,609
[-,	**		.,,

Assets	Million	Thousands of U.S. dollars			
	December 31. 2015	December 31, 2014	December 31. 2015	December 31, 2014	
			•		
Current assets	¥	¥	\$	\$	
Cash and deposits	19,729	29,716	163,052	245,593	
Notes and accounts receivable - trade	21,488	25,592	177,590	211,505	
Lease investment assets	314	270	2,598	2,238	
Merchandise and finished goods	1,068	1,258	8,826	10,401	
Work in process	2,039	2,339	16,854	19,331	
Raw materials and supplies	90	92	749	767	
Short-term loans receivable	15,000	-	123,966	-	
Deferred tax assets	314	398	2,602	3,289	
Other	1,912	1,500	15,807	12,403	
Allowance for doubtful accounts	(0)	(0)	(2)	(7)	
Total current assets	61,957	61,168	512,046	505,521	
Property, plant and equipment					
Buildings and structures	31,285	31,359	258,554	259,170	
Accumulated depreciation	(18,576)	(17,543)	(153,525)	(144,989)	
Buildings and structures, net	12,708	13,815	105,028	114,181	
Machinery, equipment and vehicles	22,177	20,370	183,288	168,352	
Accumulated depreciation	(17,965)	(17,328)	(148,476)	(143,207)	
Machinery, equipment and vehicles, net	4,212	3,042	34,811	25,145	
Tools, furniture and fixtures	18,863	19,911	155,895	164,554	
Accumulated depreciation					
	(16,004)	(17,043)	(132,271)	(140,851)	
Tools, furniture and fixtures, net	2,858	2,868	23,624	23,702	
Land	14,493	14,486	119,777	119,720	
Construction in progress	356	1,334	2,942	11,025	
Total property, plant and equipment	34,628	35,546	286,185	293,775	
Intangible assets	1,221	1,035	10,098	8,556	
Investments and other assets					
Investment securities	763	734	6,309	6.073	
Deferred tax assets	2,433	2,260	20,114	18,685	
Other	2,433	796	6,619	6,582	
Allowance for doubtful accounts	(0)	(0)	(0)	(0)	
Total investments and other assets	3,998	3,792	33,043	31,341	
Total assets	¥ 101,806	¥ 101,542	\$ 841,374	\$ 839,195	

Liabilities and Net assets	Million	Thousands of U.S. dollars			
	December 31.	December 31,	December 31.	December 31	
	2015	2014	2015	2014	
Current liabilities	¥	¥	\$	\$	
Notes and accounts payable - trade	12.014	14.504	99.295	119.870	
Lease obligations	104	74	864	617	
Accrued expenses	1,324	1,434	10,945	11,856	
Income taxes payable	1,480	2,335	12,232	19,303	
Provision for bonuses	373	367	3,085	3,037	
Provision for directors' bonuses	33	33	272	277	
Provision for loss on order received	65	25	538	211	
Other	1,326	1,632	10,963	13,494	
Total current liabilities	16,721	20,409	138,197	168,669	
Non-current liabilities					
Provision for directors' retirement benefits	247	247	2,044	2,044	
Net defined benefit liability	5,979	4,659	49,417	38,505	
Deferred tax liabilities	87	27	724	230	
Other	230	202	1,903	1,671	
Total Non-current liabilities	6,544	5,136	54,089	42,452	
Total liabilities	23,266	25,545	192,286	211,122	
Net assets					
Shareholders' equity					
Capital stock	4,969	4,969	41,067	41,067	
Capital surplus	9,595	9,595	79,300	79,300	
Retained earnings	68,125	64,450	563,018	532,645	
Treasury shares	(2,578)	(2,574)	(21,310)	(21,279)	
Total shareholders' equity	80,111	76,439	662,076	631,734	
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities	264	195	2.181	1.618	
Foreign currency translation adjustment	832	1,206	6,879	9,971	
Remeasurements of defined benefit plans	(2,723)	(1,895)	(22,509)	(15,663)	
Total accumulated other comprehensive income	(1,627)	(492)	(13,448)	(4,074)	
Subscription rights to shares	-	-	-		
Minority interests	55	49	459	412	
Total net assets	78,539	75,996	649,087	628,073	
Total liabilities and net assets	¥ 101,806	¥ 101,542	\$ 841,374	\$ 839,195	

		Millions of yen												
		Shareholders' equity					Accur	nulated other						
		apital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for- sale securities	Foreign currency translation adjustment	Remeasure ments of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests		otal net essets
Balance at December 31, 2014	¥	4,969	¥ 9,595	¥ 64,450	¥ (2,574)	¥ 76,439	¥ 195	¥ 1,206	¥ (1,895)	¥ (492)	-	¥ 49	¥	75,996
Cumulative effects of changes in accounting policies Restated balance		4,969	9,595	(827) 63,622	(2,574)	(827) 75,612	195	1,206	(1,895)	(492)	_	49		(827) 75,169
Changes of items during period		,	.,		(/- /			,	(,,	(- ,				·
Dividends of surplus				(2,449)		(2,449)				-				(2,449)
Net income (loss)				6,951		6,951				-				6,951
Purchase of treasury shares					(3)	(3)				-				(3)
Disposal of treasury shares Net changes of items other than shareholders' equity						-	68	(374)	(828)	(1,134)		5		- (1,128)
Total changes of items during period		-	-	4,502	(3)	4,498	68	(374)	(828)	(1,134)	-	5		3,370
Balance at December 31, 2015	¥	4,969	¥ 9,595	¥ 68,125	¥ (2,578)	¥ 80,111	¥ 264	¥ 832	¥ (2,723)	¥ (1,627)	-	¥ 55	¥	78,539

		Shareholders' equity					nulated other	comprehensiv	e income			
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for- sale securities	Foreign currency translation adjustment	Remeasure ments of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at December 31, 2014	\$ 41,067	\$ 79,300	\$532,645	\$(21,279)	\$ 631,734	\$ 1,618	\$ 9,971	\$ (15,663)	\$ (4,074)	-	\$ 412	\$ 628,073
Cumulative effects of changes in accounting policies Restated balance	41.067	79,300	(6,839) 525,805	(21,279)	(6,839) 624,894	1,618	9,971	(15,663)	(4,074)	_	412	(6,839) 621,233
Changes of items during period	41,007	73,300	323,003	(21,213)	024,034	1,010	3,371	(15,005)	(4,074)	_	412	021,233
Dividends of surplus			(20,240)		(20,240)				-			(20,240)
Net income (loss)			57,452		57,452				-			57,452
Purchase of treasury shares				(31)	(31)				-			(31)
Disposal of treasury shares					-				-			-
Net changes of items other than shareholders' equity					-	563	(3,092)	(6,845)			47	(9,326)
Total changes of items during period	-		37,212	(31)	37,181	563	(3,092)	(6,845)	(9,374)	-	47	27,854
Balance at December 31, 2015	\$ 41,067	\$ 79,300	\$563,018	\$(21,310)	\$ 662,076	\$ 2,181	\$ 6,879	\$ (22,509)	\$ (13,448)	-	\$ 459	\$ 649,087