


**CANON ELECTRONICS INC.**
**ANNUAL REPORT 2016(Unaudited)**
**CONSOLIDATED FINANCIAL HIGHLIGHTS**

	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)	
	2016	2015	2016	2015
Net sales	¥	¥	\$	\$
Component				
Electronic Information Appliance	44,181	48,564	380,877	418,659
Other	30,246	31,932	260,745	275,284
Other	8,862	8,876	76,398	76,521
<b>Total</b>	<b>83,290</b>	<b>89,373</b>	<b>718,021</b>	<b>770,464</b>
Profit (loss) attributable to owners of parent	5,553	6,951	47,875	59,929
Profit (loss) attributable to owners of parent per common share assuming no dilution	136.06	170.31	1.17	1.47
assuming full dilution	-	-	-	-

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
<b>Total assets</b>	<b>¥ 103,171</b>	<b>¥ 101,780</b>	<b>\$ 889,407</b>	<b>\$ 877,418</b>
<b>Net assets</b>	<b>81,515</b>	<b>78,539</b>	<b>702,723</b>	<b>677,065</b>

**CONSOLIDATED STATEMENTS OF INCOME**

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Net sales	¥ 83,290	¥ 89,373	\$ 718,021	\$ 770,464
Cost of sales	64,610	68,033	556,987	586,492
Gross profit (loss)	18,679	21,340	161,034	183,972
Selling, general and administrative expenses	10,602	10,816	91,399	93,249
Operating income (loss)	8,077	10,523	69,634	90,723
Other income				
Interest and dividend income	91	80	792	697
Gain on sales of investment securities	47	0	405	8
Other	36	106	316	924
Other expenses	175	188	1,514	1,630
Foreign exchange losses	197	25	1,701	223
Loss on sales and retirement of non-current assets	1	10	11	92
Loss on valuation of investment securities	-	56	-	485
Loss on valuation of golf club membership	64	-	554	-
Other	48	7	419	62
	311	100	2,686	863
Profit (loss) before income taxes	7,941	10,612	68,462	91,491
Income taxes	2,380	3,655	20,518	31,512
Profit (loss)	5,561	6,957	47,943	59,978
	¥		\$	\$
Profit (loss) attributable to non-controlling interests	7	5	67	49
Profit (loss) attributable to owners of parent	5,553	6,951	47,875	59,929

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥116=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2016.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Profit (loss)	¥ 5,561	¥ 6,957	\$ 47,943	\$ 59,978
Other comprehensive income				
Valuation difference on available-for-sale securities	(60)	68	(519)	587
Deferred gains or losses on hedges	(40)	-	(350)	-
Foreign currency translation adjustment	(112)	(374)	(971)	(3,225)
Remeasurements of defined benefit plans	78	(828)	675	(7,140)
	(135)	(1,134)	(1,167)	(9,778)
<b>Comprehensive income</b>	<b>5,426</b>	<b>5,823</b>	<b>46,776</b>	<b>50,200</b>
Profit attributable to				
Comprehensive income attributable to owners of parent	5,418	5,817	46,708	50,150
Comprehensive income attributable to non-controlling interests	7	5	67	49

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥116=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2016.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	2015
Profit (loss)	¥ 5,561	¥ 6,957	\$ 47,943	\$ 59,978
Adjustment to reconcile net income to net cash provided by operating activities				
Depreciation	3,356	3,278	28,931	28,260
Increase (decrease) in provision for bonuses	5	5	49	49
Increase (decrease) in provision for directors' bonuses	(5)	(0)	(48)	(5)
Increase (decrease) in provision for loss on order received	123	39	1,061	341
Increase (decrease) in net defined benefit liability	(1,486)	(1,457)	(12,815)	(12,560)
Interest and dividend income	(91)	(80)	(792)	(697)
Loss (gain) on sales and retirement of property, plant and equipment	1	9	8	80
Loss (gain) on sales and valuation of investment securities	(47)	55	(405)	476
Decrease (increase) in notes and accounts receivable - trade	(983)	3,963	(8,481)	34,170
Decrease (increase) in inventories	(87)	492	(752)	4,244
Increase (decrease) in notes and accounts payable - trade	133	(2,324)	1,147	(20,041)
Other, net	1,078	(390)	9,297	(3,367)
<b>Net cash provided by (used in) operating activities</b>	<b>7,556</b>	<b>10,547</b>	<b>65,143</b>	<b>90,929</b>
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,078)	(2,472)	(26,536)	(21,313)
Proceeds from sales of property, plant and equipment	1	5	8	46
Purchase of intangible assets	(381)	(316)	(3,288)	(2,728)
Purchase of investment securities	(1)	(2)	(13)	(25)
Proceeds from sales of investment securities	150	0	1,300	8
Payments of loans receivable	(5,000)	(15,000)	(43,103)	(129,310)
Other, net	243	(335)	2,101	(2,892)
<b>Net cash provided by (used in) investing activities</b>	<b>(8,065)</b>	<b>(18,121)</b>	<b>(69,530)</b>	<b>(156,216)</b>
Cash flows from financing activities				
Cash dividends paid	(2,446)	(2,447)	(21,093)	(21,095)
Other, net	(0)	(3)	(6)	(32)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,447)</b>	<b>(2,450)</b>	<b>(21,099)</b>	<b>(21,127)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(192)</b>	<b>(263)</b>	<b>(1,655)</b>	<b>(2,271)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,148)</b>	<b>(10,287)</b>	<b>(27,141)</b>	<b>(88,685)</b>
Cash and cash equivalents at beginning of period	19,189	29,476	165,425	254,110
<b>Cash and cash equivalents at end of period</b>	<b>16,040</b>	<b>19,189</b>	<b>138,283</b>	<b>165,425</b>

Notes: U.S. Dollar amounts are translated from yen at the rate of ¥116=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2016.

## CONSOLIDATED BALANCE SHEETS

Assets	Millions of yen		Thousands of U.S. dollars	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Current assets	¥	¥	\$	\$
Cash and deposits	16,270	19,729	140,265	170,080
Notes and accounts receivable - trade	22,394	21,488	193,059	185,245
Lease investment assets	299	314	2,578	2,710
Merchandise and finished goods	975	1,068	8,406	9,207
Work in process	2,233	2,039	19,254	17,580
Raw materials and supplies	76	90	661	782
Short-term loans receivable	20,000	15,000	172,413	129,310
Deferred tax assets	280	314	2,421	2,715
Other	1,374	1,912	11,846	16,488
Allowance for doubtful accounts	(0)	(0)	(0)	(2)
<b>Total current assets</b>	<b>63,905</b>	<b>61,957</b>	<b>550,906</b>	<b>534,117</b>
Property, plant and equipment				
Buildings and structures	31,539	31,285	271,889	269,698
Accumulated depreciation	(19,604)	(18,576)	(169,000)	(160,142)
Buildings and structures, net	11,935	12,708	102,888	109,555
Machinery, equipment and vehicles	23,043	22,177	198,651	191,188
Accumulated depreciation	(18,743)	(17,965)	(161,583)	(154,876)
Machinery, equipment and vehicles, net	4,299	4,212	37,067	36,312
Tools, furniture and fixtures	18,694	18,863	161,156	162,615
Accumulated depreciation	(15,428)	(16,004)	(133,006)	(137,973)
Tools, furniture and fixtures, net	3,265	2,858	28,150	24,642
Land	14,618	14,493	126,020	124,940
Construction in progress	290	356	2,508	3,069
<b>Total property, plant and equipment</b>	<b>34,409</b>	<b>34,628</b>	<b>296,634</b>	<b>298,520</b>
Intangible assets	1,447	1,221	12,480	10,533
Investments and other assets				
Investment securities	565	763	4,874	6,581
Deferred tax assets	2,060	2,408	17,765	20,759
Other	782	800	6,746	6,905
Allowance for doubtful accounts	(0)	(0)	(0)	(0)
<b>Total investments and other assets</b>	<b>3,408</b>	<b>3,972</b>	<b>29,386</b>	<b>34,246</b>
<b>Total assets</b>	<b>¥ 103,171</b>	<b>¥ 101,780</b>	<b>\$ 889,407</b>	<b>\$ 877,418</b>
<b>Liabilities and Net assets</b>				
	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Current liabilities	¥	¥	\$	\$
Notes and accounts payable - trade	12,105	12,014	104,358	103,575
Lease obligations	106	104	922	901
Accrued expenses	1,295	1,324	11,169	11,417
Income taxes payable	629	1,480	5,426	12,759
Provision for bonuses	377	373	3,256	3,218
Provision for directors' bonuses	27	33	235	284
Provision for loss on order received	188	65	1,623	561
Other	1,543	1,326	13,302	11,435
<b>Total current liabilities</b>	<b>16,274</b>	<b>16,721</b>	<b>140,293</b>	<b>144,153</b>
Non-current liabilities				
Provision for directors' retirement benefits	230	247	1,987	2,132
Net defined benefit liability	4,878	5,979	42,055	51,547
Deferred tax liabilities	58	61	507	533
Other	213	230	1,839	1,985
<b>Total Non-current liabilities</b>	<b>5,381</b>	<b>6,519</b>	<b>46,390</b>	<b>56,199</b>
<b>Total liabilities</b>	<b>21,655</b>	<b>23,240</b>	<b>186,683</b>	<b>200,352</b>
Net assets				
Shareholders' equity				
Capital stock	4,969	4,969	42,837	42,837
Capital surplus	9,595	9,595	82,718	82,718
Retained earnings	71,229	68,125	614,050	587,286
Treasury shares	(2,579)	(2,578)	(22,234)	(22,228)
<b>Total shareholders' equity</b>	<b>83,215</b>	<b>80,111</b>	<b>717,371</b>	<b>690,614</b>
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	203	264	1,756	2,275
Deferred gains or losses on hedges	(40)	-	(350)	-
Foreign currency translation adjustment	719	832	6,203	7,175
Remeasurements of defined benefit plans	(2,645)	(2,723)	(22,804)	(23,479)
<b>Total accumulated other comprehensive income</b>	<b>(1,762)</b>	<b>(1,627)</b>	<b>(15,195)</b>	<b>(14,028)</b>
Non-controlling interests	63	55	547	479
<b>Total net assets</b>	<b>81,515</b>	<b>78,539</b>	<b>702,723</b>	<b>677,065</b>
<b>Total liabilities and net assets</b>	<b>¥ 103,171</b>	<b>¥ 101,780</b>	<b>\$ 889,407</b>	<b>\$ 877,418</b>

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CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at December 31, 2015	¥ 4,969	¥ 9,595	¥ 68,125	¥ (2,578)	¥ 80,111	¥ 264	-	¥ 832	¥ (2,723)	¥ (1,627)	¥ 55	¥ 78,539
Changes of items during period												
Dividends of surplus			(2,449)		(2,449)					-		(2,449)
Profit (loss)			5,553		5,553					-		5,553
Purchase of treasury shares				(0)	(0)					-		(0)
Disposal of treasury shares		(0)		0	0					-		0
Net changes of items other than shareholders' equity					-	(60)	(40)	(112)	78	(135)	7	(127)
Total changes of items during period	-	(0)	3,104	(0)	3,103	(60)	(40)	(112)	78	(135)	7	2,976
Balance at December 31, 2016	¥ 4,969	¥ 9,595	¥ 71,229	¥ (2,579)	¥ 83,215	¥ 203	¥ (40)	¥ 719	¥ (2,645)	¥ (1,762)	¥ 63	¥ 81,515

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at December 31, 2015	\$ 42,837	\$ 82,718	\$587,286	\$ (22,228)	\$ 690,614	\$ 2,275	-	\$ 7,175	\$ (23,479)	\$ (14,028)	\$ 479	\$ 677,065
Changes of items during period												
Dividends of surplus			(21,112)		(21,112)					-		(21,112)
Profit (loss)			47,875		47,875					-		47,875
Purchase of treasury shares				(6)	(6)					-		(6)
Disposal of treasury shares		(0)		0	0					-		0
Net changes of items other than shareholders' equity					-	(519)	(350)	(971)	675	(1,167)	67	(1,099)
Total changes of items during period	-	(0)	26,763	(6)	26,757	(519)	(350)	(971)	675	(1,167)	67	25,658
Balance at December 31, 2016	\$ 42,837	\$ 82,718	\$614,050	\$ (22,234)	\$ 717,371	\$ 1,756	\$ (350)	\$ 6,203	\$ (22,804)	\$ (15,195)	\$ 547	\$ 702,723

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