# Canon

## **CANON ELECTRONICS INC.**

# **SEMI-ANNUAL REPORT 2014(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.				
	2014	2013	2014	2013	
	¥	¥	\$	\$	
Net sales					
Component	25,037	26,383	247,900	261,222	
Electronic Information Appliance	16,467	17,022	163,046	168,543	
Other	5,200	5,397	51,494	53,438	
Total	46,706	48,803	462,442	483,204	
Net Income	3,315	4,335	32,829	42,928	
Net income per common share					
assuming no dilution	79.80	104.22	0.79	1.03	
assuming full dilution	-	-	-	-	

	Millio	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013	
	¥	¥	\$	\$	
Total assets	96,521	96,013	955,661	950,625	
Net assets	75,072	73,953	743,292	732,210	

### CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars					
	For the six-month period			periods end	ods ended June 30.			
	2014		2013			2014		2013
	¥		¥		\$		\$	
Net sales		46,706		48,803		462,442		483,204
Cost of sales		36,762		38,132		363,988		377,551
Gross profit		9,943		10,670		98,453		105,653
Selling, general and administrative expenses		5,456		5,256		54,024		52,043
Operating profit		4,487		5,414		44,428		53,609
Other income								
Interest and dividends		25		26		248		260
Rent income		24		25		242		257
Foreign exchange gains		-		562		-		5,571
Gain on sales of investment securities		-		675		-		6,687
Gain on reversal of subscription rights to shares		225		9		2,233		94
Other		31		117		310		1,166
		306		1,417		3,034		14,036
Other expenses								
Foreign exchange losses		357		-		3,539		-
Loss on sales and retirement of non-current assets		11		1		109		14
Loss on valuation of investment securities		47		-		472		-
Other		25		1		256		17
		442		3		4,378		32
Income before income taxes and minority interests		4,351		6,829		43,085		67,614
Income taxes		1,035		2,486		10,249		24,618
Minority interests		0		6		5		66
Net income	¥	3,315	¥	4,335	\$	32,829	\$	42,928

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥101=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30,2014.

	Million	s of yen	Thousands of U.S. dollars		
		For the six-month p	periods ended June 30.		
	2014	2013	2014	2013	
*		¥	\$	\$	
Net income	3,315	7,249	32,829	71,773	
Adjustment to reconcile net income to net cash provided by operating activities					
Depreciation	1,997	2,059	19,774	20,387	
Amortization of goodwill	-	92	-	916	
Increase (decrease) in provision for bonuses	24	51	247	513	
Increase (decrease) in provision for directors' bonuses	(28)	(22)	(277)	(222)	
Increase (decrease) in provision for loss on order received	2	(17)	20	(174)	
Increase (decrease) in provision for retirement benefits	(144)	(92)	(1,434)	(912)	
Loss (gain) on sales and valuation of investments in securities	47	(675)	472	(6,687)	
Decrease (increase) in notes and accounts receivable	(892)	(391)	(8,839)	(3,878)	
Decrease (increase) in inventories	(107)	(648)	(1,063)	(6,423)	
Increase (decrease) in notes and accounts payable	1,773	682	17,561	6,758	
Other, net	(2,361)	(2,426)	(23,378)	(24,023)	
Net cash provided by operating activities	3,627	5,860	35,911	58,028	
Cash flows from investing activities					
Purchase of property, plant and equipment	(2,283)	(2,655)	(22,613)	(26,287)	
Proceeds from sales of property, plant and equipment	0	2	3	28	
Purchase of intangible assets	(37)	(42)	(374)	(419)	
Purchase of investment securities	(85)	(69)	(849)	(684)	
Proceeds from sales of investment securities	(03)	1.139	(043)	11,283	
Collection of loans receivable	-	0	-	11,203	
Other.net	(20)	(84)	(205)	(832)	
Net cash used in investing activities	(2,427)	(1,707)	(24,038)	(16,910)	
•	(2,421)	(1,707)	(24,030)	(10,910)	
Cash flows from financing activities					
Cash dividends paid	(1,245)	(1,245)	(12,335)	(12,332)	
Purchase of treasury shares	(434)	-	(4,304)	-	
Other,net Control of the Control of	(1)	(1)	(16)	(10)	
Net cash used in financing activities	(1,682)	(1,246)	(16,656)	(12,343)	
Effect of exchange rate changes on cash and cash equivalents	(166)	16	(1,643)	165	
Net change in cash and cash equivalents	(649)	2,922	(6,427)	28,940	
Cash and cash equivalents at beginning of period	27,326	28,489	270,555	282,075	
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(104)	-	(1,030)	-	

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥101=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30,2014.

# CONSOLIDATED BALANCE SHEETS

<u>Assets</u>		ns of yen	Thousands of U.S. dollars		
	June 30. 2014	December 31, 2013	June 30. 2014	December 31 2013	
Current assets	¥	¥	\$	\$	
Cash and cash equivalents	* 26,752	* 27,426	ъ 264,880	ە 271,545	
Notes and accounts receivable	24.680	23,883	244,357	236,472	
Lease receivables and investment assets	185	207	1,836	2,055	
Merchandise and finished goods	1,501	1,166	14,868	11,547	
Work in process	2,645	2,887	26,194	28,593	
Raw materials and supplies	97	98	967	970	
Deferred tax assets	321	447	3,188	4,427	
Others Less allowance for doubtful receivables	1,606 (1)	2,068 (739)	15,903 (10)	20,484 (7,320)	
Total current assets	57,790	57,446	572,185	568,777	
Property, plant and equipment					
Buildings and structures, net	13,921	14,248	137,839	141,072	
Machinery, equipment and vehicles, net	2,928	2,457	28,996	24,329	
Tools, furniture and fixtures, net Land	3,007	3,615	29,781	35,800	
Construction in progress	14,486 713	13,784 694	143,427 7,064	136,477 6,880	
Total property, plant and equipment	35,058	34,800	347,109	344,559	
Intangible assets					
Other intangible assets  Total intangible assets	821 821	891 891	8,130 8,130	8,822 8,822	
· ·	021	991	0,130	0,022	
Investment and other assets Investment securities	643	735	6,375	7,285	
Claims provable in bankruptcy, claims provable	1,158	_	11,473	,	
in rehabilitation and other	1,130	-		-	
Deferred tax assets	1,400	1,257	13,867	12,448	
Others Less allowance for doubtful receivables	807 (1,158)	882 (0)	7,994 (11,474)	8,734 (1)	
Total investments and other assets	2,851	2,875	28,236	28,466	
		,		\$ 950,625	
Total assets	/ -		· · ·	•	
<u>Liabilities and Net assets</u>	June 30.	ns of yen  December 31,	June 30.	of U.S. dollars  December 31	
	2014	2013	2014	2013	
Current liabilities	¥	¥	\$	\$	
Notes and accounts payable	15,044	13,329	148,955	131,972	
Lease obligations	66	82	654	814	
- J	00			4 4 004	
Accrued expenses	1,181	1,476	11,701	14,621	
Accrued expenses Income taxes payable	1,181 1,071	2,649	10,610	26,231	
Accrued expenses Income taxes payable Notes payable-facilities	1,181 1,071 16	2,649 54	10,610 158	26,231 535	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses	1,181 1,071 16 390	2,649 54 366	10,610 158 3,867	26,231 535 3,629	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses	1,181 1,071 16 390 12	2,649 54 366 40	10,610 158 3,867 118	26,231 535 3,629 396	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received	1,181 1,071 16 390 12 35	2,649 54 366 40 33	10,610 158 3,867 118 353	26,231 535 3,629 396 332	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses	1,181 1,071 16 390 12	2,649 54 366 40	10,610 158 3,867 118	26,231 535 3,629 396	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others Total current liabilities	1,181 1,071 16 390 12 35 1,314	2,649 54 366 40 33 1,582	10,610 158 3,867 118 353 13,019	26,231 535 3,629 396 332 15,671	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others	1,181 1,071 16 390 12 35 1,314	2,649 54 366 40 33 1,582	10,610 158 3,867 118 353 13,019	26,231 535 3,629 396 332 15,671	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities  Long-term liabilities	1,181 1,071 16 390 12 35 1,314 19,133	2,649 54 366 40 33 1,582	10,610 158 3,867 118 353 13,019	26,231 535 3,629 396 332 15,671	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities	1,181 1,071 16 390 12 35 1,314 19,133	2,649 54 366 40 33 1,582 19,614 2,056 252 10	10,610 158 3,867 118 353 13,019 189,439	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others Total current liabilities Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits	1,181 1,071 16 390 12 35 1,314 19,133	2,649 54 366 40 33 1,582 19,614	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities	1,181 1,071 16 390 12 35 1,314 19,133	2,649 54 366 40 33 1,582 19,614 2,056 252 10	10,610 158 3,867 118 353 13,019 189,439	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities  Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others	1,181 1,071 16 390 12 35 1,314 19,133 1,911 247 19 136	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities Net assets	1,181 1,071 16 390 12 35 1,314 19,133 1,911 247 19 136	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for loss on order received Others  Total current liabilities Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125 2,445 22,059	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315  21,449	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125 2,445 22,059	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities  Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315  21,449	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125 2,445 22,059	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Provision for retirement benefits Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136 2,315 21,449  4,969 9,595 61,629	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125 2,445 22,059	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities  Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315  21,449	2,649 54 366 40 33 1,582 19,614 2,056 252 10 125 2,445 22,059	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings Treasury stock  Total shareholders' equity Accumulated other comprehensive income	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136 2,315 21,449  4,969 9,595 61,629 (1,508) 74,685	2,649 54 366 40 333 1,582 19,614  2,056 252 10 125  2,445  22,059  4,969 9,595 59,561 (1,071) 73,054	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368 49,199 95,003 610,190 (14,932)	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415 49,199 95,003 589,716 (10,611) 723,307	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for loss on order received Others  Total current liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total long-term liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings Treasury stock  Total shareholders' equity  Accumulated other comprehensive income Valuation difference on available-for-sale securities	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315  21,449  4,969 9,595 61,629 (1,508)	2,649 54 366 40 33 1,582 19,614  2,056 252 10 125  2,445  22,059  4,969 9,595 59,561 (1,071) 73,054	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368 49,199 95,003 610,190 (14,932) 739,461	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415 49,199 95,003 589,716 (10,611) 723,307	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for loss on order received Others  Total current liabilities Long-term liabilities Provision for retirement benefits Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings Treasury stock Total shareholders' equity  Accumulated other comprehensive income Valuation difference on available-for-sale securities Adjustment of exchange conversion	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315  21,449  4,969 9,595 61,629 (1,508) 74,685	2,649 54 366 40 33 1,582 19,614  2,056 252 10 125 2,445 22,059  4,969 9,595 59,561 (1,071) 73,054  221 403	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368 49,199 95,003 610,190 (14,932) 739,461 1,355 1,982	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415 49,199 95,003 589,716 (10,611) 723,307	
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Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Provision for retirement benefits Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings Treasury stock  Total shareholders' equity  Accumulated other comprehensive income Valuation difference on available-for-sale securities Adjustment of exchange conversion  Total accumulated other comprehensive income Subscription rights to shares	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136 2,315 21,449  4,969 9,595 61,629 (1,508) 74,685	2,649 54 366 40 33 1,582 19,614  2,056 252 10 125  2,445 22,059  4,969 9,595 59,561 (1,071) 73,054  221 403 624 225	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368 49,199 95,003 610,190 (14,932) 739,461 1,355 1,982 3,338	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415 49,199 95,003 589,716 (10,611) 723,307 2,189 3,990 6,179	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities Provision for retirement benefits Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings Treasury stock  Total shareholders' equity  Accumulated other comprehensive income Valuation difference on available-for-sale securities Adjustment of exchange conversion  Total accumulated other comprehensive income Subscription rights to shares  Minority interest	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136  2,315  21,449  4,969 9,595 61,629 (1,508) 74,685  136 200 337	2,649 54 366 40 33 1,582 19,614  2,056 252 10 125 2,445 22,059  4,969 9,595 59,561 (1,071) 73,054  221 403 624 225 49	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368 49,199 95,003 610,190 (14,932) 739,461 1,355 1,982 3,338	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415 49,199 95,003 589,716 (10,611) 723,307 2,189 3,990 6,179 2,233	
Accrued expenses Income taxes payable Notes payable-facilities Provision for bonuses Provision for directors' bonuses Provision for loss on order received Others  Total current liabilities  Long-term liabilities Provision for retirement benefits Provision for directors' retirement benefits Deferred tax liabilities Others  Total long-term liabilities  Total liabilities  Net assets Stockholders' equity Capital stock Additional paid-in capital Retained earnings Treasury stock  Total shareholders' equity  Accumulated other comprehensive income Valuation difference on available-for-sale securities Adjustment of exchange conversion  Total accumulated other comprehensive income Subscription rights to shares	1,181 1,071 16 390 12 35 1,314 19,133  1,911 247 19 136 2,315 21,449  4,969 9,595 61,629 (1,508) 74,685	2,649 54 366 40 33 1,582 19,614  2,056 252 10 125  2,445 22,059  4,969 9,595 59,561 (1,071) 73,054  221 403 624 225	10,610 158 3,867 118 353 13,019 189,439 18,930 2,449 195 1,353 22,929 212,368 49,199 95,003 610,190 (14,932) 739,461 1,355 1,982 3,338	26,231 535 3,629 396 332 15,671 194,204 20,365 2,498 107 1,239 24,210 218,415 49,199 95,003 589,716 (10,611) 723,307 2,189 3,990 6,179	

Notes:U.S.Dollar amounts are translated from yen at the rate of ¥101=U.S.1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of June 30,2014.