

Evolution of Business Plans

Canon has achieved continuous growth through a business strategy founded on diversification—expanding into business areas that meet contemporary needs by combining new and existing technologies—and globalization—adapting in good time to the increasingly international nature of business. Since 1996, in line with our philosophy of *kyosei*, we have initiated a five-year scheme called the Excellent Global Corporation Plan to make Canon a globally admired and respected company dedicated to contributing to society through continuous technological innovation, and we have been promoting business reforms.

-1996

Business strategy combining comprehensive diversification and globalization

• Globalization

- 1955: With the opening of a branch office in New York, expansion of sales routes worldwide
- 1967: Overseas share of net sales passes the 50% mark
- 1970s: Production sites established worldwide
- 1990s: Research and development sites established worldwide

• Diversification

- Early 1960s: By supplementing optical and mechanical technologies with electronics technology, development of products such as electronic calculators help meet the current demand for office automation
- 1967: To mark the 30th anniversary, policy of full-scale diversification announced under the slogan "Cameras in the Right Hand, Business Machines in the Left"
- Advance to the cutting edge of contemporary industry with products that combine new and existing technologies, e.g., copy machines, printers, and semiconductor lithography equipment

Business Plans

1962–1966

First Five-Year Plan:

Launch of full-scale business activities in business machine market

1976–1986

Premier Company Plan:

Implementation of matrix management system based on divisional structure and Canon-style development, production and sales systems

1988–1995

First Global Corporation Plan:

Second inauguration of company announced under the corporate philosophy of *kyosei*. In line with this philosophy, promotion of global rollout of production and development and other policies to create a structure resilient to the negative impacts of exchange rate fluctuation and trade friction.

Excellent Global Corporation Plan

Phase I 1996–2000

Total optimization and profitability

Canon transformed the corporate mindset to refocus on total rather than partial optimization and on profitability rather than net sales growth, along with the introduction of cash flow management. Business innovation was initiated on many fronts, including the selection and concentration of business areas and reform in areas such as production and development.

Main strategies

- Establish consolidated management operation
- Introduce cash flow management
- Innovation in development such as introducing 3D-CAD
- Innovation in manufacturing through switch from conveyor belt to cell production

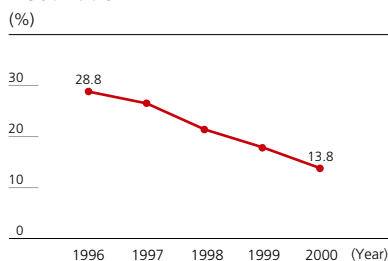
Economic value

- 1.1-fold growth in net sales
- 1.4-fold growth in net income (1996→2000)
- Debt ratio 28.8%→13.8% (1996→2000)
- Shareholders' equity ratio 38.1%→45.9% (1996→2000)

Social and environmental value

- Digitalization of cameras, multifunction devices, etc., in line with the development of the IT environment
- Progress with development and production of CMOS sensors for digital cameras to establish presence in the image sensor market

Debt Ratio



Development using 3D-CAD

Excellent Global Corporation Plan

Phase II 2001–2005

Increased competitiveness through digitalization

Aiming to become No. 1 in all major business areas, Canon focused on strengthening product competitiveness to match the changing times by stepping up efforts to digitalize its products. The company also conducted structural reforms across all Canon Group companies around the world.

Main strategies

- Strengthen product offer through independent development of CMOS sensors, image processors and other key components
- Speed up product commercialization through selection and concentration
- Maintain focus on cash flow management

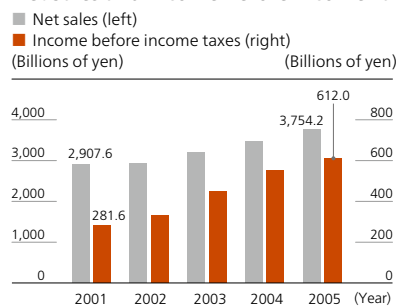
Economic value

- Record-high figures achieved for both net sales and income before income taxes in each of the five consecutive business periods (2001–2005)
- Net sales (2005): ¥3,754.2 billion
- Income before income taxes (2005): ¥612.0 billion

Social and environmental value

- Market launch of digital cameras and printers in line with the increasingly widespread use of personal computers and the internet
- LCD lithography equipment contributes to the spread of large-screen LCD television sets

Net Sales and Income Before Income Taxes



LCD lithography equipment released for sale in 2002

Excellent Global Corporation Plan

Phase III 2006–2010

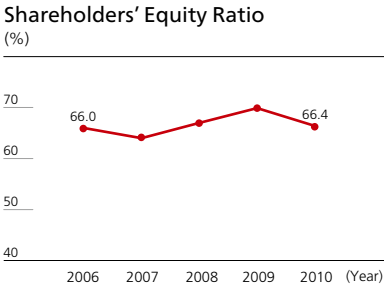
Reinforcing existing businesses and expanding into new areas

While pursuing new growth through strategies such as enhancing existing businesses and expanding into new areas, Canon also focused on comprehensive supply chain management and introduced IT innovations.

- Main strategies**
- Expand profitability of main businesses
 - New production modes, such as man-machine cells where humans and machines work together
 - Expand areas of business through diversification, establish management system based on three regional headquarters

- Economic value**
- Maintenance of high shareholders' equity ratio
66.0% (2006) → 66.4% (2010)
 - Record-high figures for net sales and income before income taxes (2007)
Net sales: ¥4,481.3 billion
Income before income taxes: ¥768.4 billion

- Social and environmental value**
- Network MFDs realized seamless linking of input and output of paper and digital documents
 - Promotion of digital commercial printing business that identifies industry needs and facilitates variable data printing and other types of printing operation



Development in progress at Canon Production Printing (formerly Océ) (2011)

Excellent Global Corporation Plan

Phase IV 2011–2015

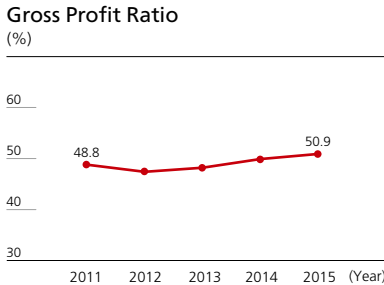
Enhancing growth and manufacturing capabilities

Canon revised its management policy from a strategy targeting expansion of scale. While reinforcing its financial structure and actively conducting M&A, the company pursued acquisition of new growth engines for future expansion.

- Main strategies**
- Diversify through horizontal rollout of existing businesses such as digital cinema cameras
 - Pursue aggressive M&A activities
 - Upgrade production through automation and introduction of robots
 - Innovation in procurement to reduce costs and ensure quality

- Economic value**
- Gross profit ratio reaches record high level 50.9% (2015)
 - Maintenance of high shareholders' equity ratio
64.9% (2011) → 67.0% (2015)

- Social and environmental value**
- Expansion of network camera business amidst increased awareness of security among society
 - Cinema EOS System brings new range of visual expression to the film and television industry



Sales launch of Cinema EOS System for film production (2011)

Excellent Global Corporation Plan

Phase V 2016–2020

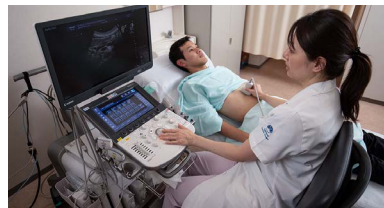
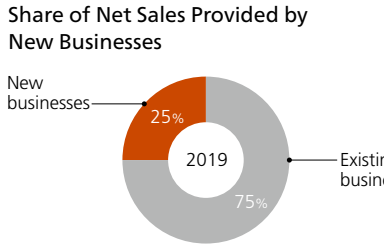
New growth through a grand strategic transformation

Canon is working to reorient its business portfolio from B-to-C businesses to B-to-B growth businesses, at the same time promoting automation and other initiatives to improve productivity.

- Main strategies**
- Establish a new production system to reduce cost-of-sales ratio
 - Reinforce and expand new businesses
 - Restructure the global sales network

- Economic value**
- Net sales from new businesses: 12% → 25% (2016 → 2019)
 - Stable level of cash and cash equivalents
¥412.8 billion (2019)

- Social and environmental value**
- Expansion of medical business with products that reduce the burden on both patients and medical professionals
 - OLED panel manufacturing equipment facilitates adoption of OLED displays in smartphones, televisions, etc.



Diagnostic ultrasound system by Canon Medical Systems