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The license may not give you all the permissions needed to copy, distribute, modify, or promote the material. Address: 30-2, Shimomurako 3-chome Ohta-ku, Tokyo 146 Japan Telephone: (03) 3758-2111 Fax: (03) 5482-1333 Public Company Incorporated: 1937 as Precision Optical Industry Company, Ltd. Employees: 72,280 Sales: ¥2.17 trillion (US\$21.03 billion) (1995) Stock Exchanges: Tokyo Osaka Nagoya Kyoto Fukuoka Niigata Sapporo Luxembourg Frankfurt SICs: 3571 Electronic Computers; 3577 Computer Peripheral Equipment. Not Elsewhere Classified; 3827 Optical Instruments & Lenses; 3861 Photographic Equipment & Supplies Canon's operations worldwide are guided by the company's *kyosei* philosophy—living and working together for the common good. Our 72,000 employees respect this ideal as we bring more pleasant working conditions to the office, a better quality of life to individuals, and greater productivity to industry through innovation in cameras, business machines, and optical products along with our dedication to customer satisfaction. Company History: Although it scarcely predates World War II, Canon Inc. has already become one of the world's leading manufacturers of electronics, principally optical electronics. Year in and year out one of the top 10 companies receiving U.S. patents, Canon has a history of innovation that has brought it a leadership position in copiers, laser and bubble-jet printers, facsimile machines, cameras, and camcorders. In addition to a recent incursion into the production of personal computers, Canon also manufactures and markets binoculars, calculators, electronic typewriters and word processors, and medical, broadcasting, and semiconductor equipment. 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New Product Development and Marketing Revitalized in the Mid-1970s Into this leadership void stepped Ryzuburo Kaku, the company's managing director. He won approval from Mitarai, who was still chairman and president, to change management and sales practices. Under Kaku, Canon began to streamline its operations and chain of command and market its products more aggressively. In 1976 the company introduced its revolutionary AE-1 35-millimeter camera, which used a microprocessor to focus automatically and set the length of exposure, with an advertising blitz led by television commercials featuring tennis star John Newcombe. "It was a big gamble because 35-millimeter cameras had never before been advertised on TV," Mitarai said, but it paid off handsomely. According to Fortune, January 12, 1981, by 1981 the AE-1 had become so popular that one industry analyst called it "the Chevrolet of the 35mm market." 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Murata, Taku, "Can Canon Become a PC Player?" Tokyo Business Today, January 1995, pp. 43-45. Source: International Directory of Company Histories, Vol. 18. St. James Press, 1997. Canon Camera Museum provides historical information, such as the history of Canon and descriptions about all cameras and lenses released since it was founded. 30-2, Shimomurako 3-chome Ohta-ku/Tokyo146-8501Japan Company Perspectives The corporate philosophy of the environment is *kyosei*. A concise definition of this word would be "Living and working together for the common good," but our definition is broader: "All people, regardless of race, religion or culture, harmoniously living and working together into the future." Unfortunately, the presence of imbalance in our world—in areas such as trade, income levels and the environment—hinders the achievement of *kyosei*. Addressing these imbalances is an ongoing mission, and Canon is doing its part by actively pursuing *kyosei*. True global companies must foster good relations, not only with their customers and the communities in which they operate, but also with nations and the environment. They must also bear the responsibility for the impact of their activities on society. For this reason, Canon's goal is to contribute to the prosperity of the world and the happiness of humanity, which will lead to continuing growth and bring the world closer to achieving *kyosei*. History of Canon Canon's history is a story of innovation and growth. From its beginnings in 1933, Canon has become a global leader in a wide range of industries, including cameras, copiers, printers, lasers, and ink-jet printers, fax machines, scanners, multifunction devices, film-based and digital cameras, and camcorders. The company also manufactures and markets binoculars, camera lenses, liquid crystal display (LCD) projectors, calculators, semiconductor production equipment, LCD production equipment, and medical and broadcasting equipment. Canon has been involved in an important alliance with Hewlett-Packard Company (HP) since 1985 whereby Canon produces laser printers that are sold by HP under the HP LaserJet brand; approximately one-fifth of Canon's total revenues are derived from this partnership. The company is also linked with Toshiba Corporation in a joint venture focusing on surface-conduction electron-emitter display (SED) television sets, a high-definition alternative to plasma and LCD sets. Canon still manufactures the majority of its products in Japan, while also operating manufacturing subsidiaries in the United States, Germany, France, Taiwan, China, Malaysia, Thailand, and Vietnam along with a manufacturing joint venture in Korea. Fully 73 percent of the firm's revenues are generated outside Japan, with the Americas and Europe accounting for about 30 percent each. 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(U.S.A.); Canon North America, Inc. (U.S.A.); Canon of Canada, Inc. (U.S.A.); Canon of Mexico, Inc. (U.S.A.); Canon of the Philippines, Inc. (U.S.A.); Canon of Taiwan, Inc. (U.S.A.); Canon of Thailand, Inc. (U.S.A.); Canon of the United Kingdom, Inc. (U.S.A.); Canon of the United States, Inc. (U.S.A.); Canon Success, New York, Canon U.S.A., Inc. 1996, Eisenstadt, Gale, "Crazy Is Praise for Us," Forbes, November 7, 1994, pp. 174-84. Friedland, Jonathan, "Nothing Ventured... Even Canon's Failed Products Serve a Purpose," Far Eastern Economic Review, February 24, 1994, pp. 76, 78. ———, "Out in Front," Far Eastern Economic Review, February 24, 1994, pp. 72-75. Greenberg, Manning, "Canon Runs the Gamut from Video to Home Office," HFD-The Weekly Home Furnishings Newspaper, April 9, 1990, p. 150. Johnson, Bob, "If Anyone Can, Can Mitarai?" Director, July 1995, p. 17. McCarthy, Joseph L., "Beyond the Box," Chief Executive, April 1995, pp. 32-35. Murata, Taku, "Can Canon Become a PC Player?" Tokyo Business Today, January 1995, pp. 43-45. Source: International Directory of Company Histories, Vol. 18. St. James Press, 1997. Canon Camera Museum provides historical information, such as the history of Canon and descriptions about all cameras and lenses released since it was founded. 30-2, Shimomurako 3-chome Ohta-ku/Tokyo146-8501Japan Company Perspectives The corporate philosophy of the environment is *kyosei*. A concise definition of this word would be "Living and working together for the common good," but our definition is broader: "All people, regardless of race, religion or culture, harmoniously living and working together into the future." Unfortunately, the presence of imbalance in our world—in areas such as trade, income levels and the environment—hinders the achievement of *kyosei*. Addressing these imbalances is an ongoing mission, and Canon is doing its part by actively pursuing *kyosei*. True global companies must foster good relations, not only with their customers and the communities in which they operate, but also with nations and the environment. They must also bear the responsibility for the impact of their activities on society. For this reason, Canon's goal is to contribute to the prosperity of the world and the happiness of humanity, which will lead to continuing growth and bring the world closer to achieving *kyosei*. History of Canon Canon's history is a story of innovation and growth. From its beginnings in 1933, Canon has become a global leader in a wide range of industries, including cameras, copiers, printers, lasers, and ink-jet printers, fax machines, scanners, multifunction devices, film-based and digital cameras, and camcorders. The company also manufactures and markets binoculars, camera lenses, liquid crystal display (LCD) projectors, calculators, semiconductor production equipment, LCD production equipment, and medical and broadcasting equipment. Canon has been involved in an important alliance with Hewlett-Packard Company (HP) since 1985 whereby Canon produces laser printers that are sold by HP under the HP LaserJet brand; approximately one-fifth of Canon's total revenues are derived from this partnership. The company is also linked with Toshiba Corporation in a joint venture focusing on surface-conduction electron-emitter display (SED) television sets, a high-definition alternative to plasma and LCD sets. Canon still manufactures the majority of its products in Japan, while also operating manufacturing subsidiaries in the United States, Germany, France, Taiwan, China, Malaysia, Thailand, and Vietnam along with a manufacturing joint venture in Korea. Fully 73 percent of the firm's revenues are generated outside Japan, with the Americas and Europe accounting for about 30 percent each. Early History The history of Canon dates back to 1933, when a young gynecologist named Takeshi Mitarai worked with some technician friends to develop cameras; to do so they founded Precision Optical Instruments Laboratory in Roppongi, Minato-ku, Japan. Their first major invention had applications that ranged far beyond the medical field. In 1934 Mitarai and his colleagues developed Japan's first 35-millimeter camera, closely patterned after the German Leica 35-millimeter camera, the industry standard. They named it the Kwanon, after a Buddhist figure representing mercy. In 1937 they incorporated their venture under the name Precision Optical Industry Company, Ltd. In 1940 Precision Optical made a significant contribution to Japanese medical imaging technology when it developed the nation's first indirect x-ray camera, which played a major role in preventing spread of tuberculosis in Japan. When Japan went to war with the United States, the Japanese economy was entirely given over to supporting the military. The company barely survived World War II. It was unable to manufacture its mainstay 35-millimeter cameras for the duration of the war, and only Mitarai's tireless efforts kept it afloat in the economic desolation that followed Japan's surrender in 1945. With raw materials rationed and capital scarce, Mitarai had to scramble just to keep his production lines going and the company's finances in order. He also drilled into his workers the importance of producing high-quality products, but his most important move may have been persuading the Allied occupation forces to stock Precision Optical cameras in their post exchanges and ships' stores. This arrangement laid the groundwork for Canon's later success as an exporter; U.S. servicemen bringing their cameras home with them gave the company its first foothold in the U.S. market. In 1947 Precision Optical changed its name to Canon Camera Company, Inc., using a transliteration of the original Kwanon. Another international breakthrough for Canon occurred in the early 1950s, when news photographers covering the Korean War found that the best Japanese lenses were every bit as good as German lenses. The export market began to open up, and Canon prospered throughout the decade. The company created a U.S. subsidiary, based in New York, in 1955 and two years later it formed a European subsidiary, Canon Europa, headquartered in Geneva. In 1956 Canon added an 8-millimeter movie camera to its product lines, and in 1959 it became the first company in the world to manufacture an 8-millimeter camera with a built-in zoom lens. Diversifying into Business Machines By the early 1960s Canon had become the dominant Japanese producer of middle-priced cameras, leaving the higher end of the market to Nikon. The company continued to grow, more than tripling in size between 1959 and 1963. In 1964 it ventured into business machines when it introduced the Canola 130 electronic calculator, the first in the world to use the now-standard ten-key keypad. In 1970 Canon and Texas Instruments produced the Pockectronic, the first all-electronic hand-held calculator. After entering the photocopier market in 1965 with the Canofax 1000, Canon became an innovator in the field when it introduced its first plain-paper copier in 1968. Until that time Xerox had dominated the copier market with its own process, known as xerography. Canon's diversification moves were significant enough to prompt a name change; "Camera Company" was dropped from the name in 1969 and the company became simply Canon Inc. In spite of the company's engineering successes, however, Canon was plagued by weaknesses in marketing strategy in the late 1960s and early 1970s. Although it was a part of the spectacular overall penetration of the U.S. market by Japanese calculator makers, the company failed for the most part to distinguish itself from its competitors. It also frittered away its technical advances by failing to exploit their sales potential before rivals could catch up to them. This problem affected its copier lines as well as its calculators. In 1972 it developed the "liquid dry" copying system—so named because it uses plain paper and liquid developer but turns out dry copies—but doubted its own marketing strength and feared that competitors would infringe on its patents. Therefore, instead of selling the system itself, it licensed the technology to other manufacturers, effectively wasting its earnings potential. These mistakes hindered Canon's financial performance, and in 1975 it failed to pay a dividend for the first time since World War II. Revitalizing New Product Development and Marketing Into this leadership void stepped Ryzuburo Kaku, the company's managing director. He won approval from Mitarai, who was still chairman and president, to change management and sales practices. Under Kaku, Canon began to streamline its operations and chain of command and market its products more aggressively. In 1976 the company introduced its revolutionary AE-1 35-millimeter camera, which used a microprocessor to focus automatically and set the length of exposure, with an advertising blitz led by television commercials featuring tennis star John Newcombe. "It was a big gamble because 35-millimeter cameras had never before been advertised on TV," Mitarai said, but it paid off handsomely. According to Fortune, January 12, 1981, by 1981 the AE-1 had become so popular that one industry analyst called it "the Chevrolet of the 35mm market." Kaku's emphasis on faster new product development led to laser beam printing technology in 1975 and a new retinal camera that made pupil-dilating drugs unnecessary in 1976. In 1977 Kaku was named president of the company, succeeding Mitarai, who remained chairman. In 1982 Canon introduced the first personal copier, so called because all the essential reproduction components were contained in a cartridge that users could replace themselves. Again, it was accompanied by a massive ad campaign, this time starring actor Jack Klugman. In less than a decade, Canon's salesmanship had undergone a radical change from passive to highly aggressive. When Canon overtook Nikon as Japan's camera sales leader in the early 1980s, former Nikon chairman Kyojiro Iyanaga explained his rival's success by saying, "We still make the best cameras. Canon just outmarketed us." Canon continued to introduce new products in the 1980s to compete effectively in mature markets. Much of its success, however, came in new markets, such as integrated office workstations and desktop publishing systems. Often that meant challenging large companies that were well entrenched in their markets. In 1982 it came out with an electronic typewriter, initiating a one-on-one competition with International Business Machines (IBM). Within a year, it captured 11 percent of that market, while IBM's share shrank from 26 to 17 percent. In 1983 it took on Xerox with a laser printer that offered similar quality at one-third the price. Canon also engaged Ricoh in a rivalry over facsimile machines in the early 1980s and laid the groundwork for a future duel with IBM in the computer business. It began a research push aimed at developing optical integrated circuits for personal computers of the future, and in 1984 Canon Sales started marketing the Apple Macintosh in Japan. Canon also joined with Apple to develop software for the Japanese market. Later in the decade, the company's optical chip efforts paid off when former Apple chief Steven Jobs chose Canon's chips for his new NeXT computer. In 1989 Canon acquired a 16.7 percent interest in NeXT Incorporated, along with the exclusive right to market the NeXT in Asia, for US\$100 million. In the meantime, Canon began a long-running partnership with Hewlett-Packard Company (HP) in 1985 when the two companies teamed up to develop HP's top-selling line of LaserJet printers. Canon produced the guts of the machines, including their high-quality laser mirrors, a key part of such printers, enabling HP to focus on its area of expertise, the software linking printers to PCs. Canon eventually derived as much as one-fifth of its total revenues from this alliance. Slower Growth Canon experienced rapid sales and profit growth from its low-water mark in 1975 through the end of the 1980s. Between 1975 and 1985, its annual sales grew sevenfold, to US\$3.3 billion, and its profits showed a twentyfold increase, to US\$136 million; by 1989, sales had reached US\$8.18 billion and profits hit US\$232 million. Following an exceptional year in 1990 that saw a 27.9 percent increase in sales (to US\$12.73 billion) and a near doubling in profits (to US\$452 million), succeeding years featured slower growth and reduced profits. Profit margins ranged from 1.1 to 1.9 percent from 1992 to 1994 after having ranged from 2.8 to 3.6 percent from 1988 to 1991. The slowdown was partly attributable to the maturation of some of Canon's key product areas, notably copiers and cameras. The maturation in cameras, especially the SLR cameras Canon specialized in, affected Canon much less severely than other major camera makers (notably Minolta and Nikon), who relied on cameras for a much larger portion of overall sales than Canon did. In 1992, cameras comprised only 19 percent of overall Canon sales (compared to 44 and 43 percent for Minolta and Nikon, respectively), and by 1995 the percentage had dropped to 8.2 percent. Thus, the rapid growth in popularity of compact cameras, which began with Fuji's launch of the QuickSnap disposable camera in 1987 and was advanced by Konica's 1989 introduction of the Big Mini (the first super-compact camera), did not push Canon into the huge losses suffered by Minolta and Nikon in the early 1990s. Still, Canon quickly reacted to the new competition by developing its own compact camera, the Sure Shot, which grew into a full line of nearly a dozen models by the mid-1990s. In the meantime, however, Fuji had passed Canon as the world's top camera maker by 1992. A larger factor in the new recession in Japan and the appreciation of the yen, both of which affected all Japanese companies but hit the export-oriented electronic giants like Canon especially hard. In response, the company made a major commitment to advance its globalization, in particular by moving production out of Japan—whenever possible to where the products were sold. For example, Canon began to produce bubble-jet printers in Mexico in 1995, then started production of the same in Scotland the following year. The company also aggressively sought out new markets for its goods, setting a goal of increasing Asian-Pacific sales outside of Japan to 10 percent of overall sales, and marketing products to Russia for the first time in 1995 through the Finland-based Oy Canon AB subsidiary. In the face of these years of slower growth, Canon continued its historic commitment to high expenditures on research and development (averaging about 5 percent of net sales) and risk-taking new product development. Back in 1977 a Canon engineer had accidentally invented the bubble-jet printing technology, which Canon then somewhat belatedly marketed successfully in the early 1990s. The BJC-820 full-color bubble-jet printer was introduced in 1992, followed in 1994 by the innovative notebook computer with built-in color bubble-jet printer, a product developed in partnership with IBM. Canon's determination to become a major player in the personal computer field was seen as particularly risky, given the failure of NeXT (which exited the hardware business in 1993) and the highly competitive nature of the personal computer market. Of course, Canon's partnership strategy—which continued in 1994 with another venture with IBM to develop small computers based on IBM's PowerPC chip, was designed to alleviate some of the risk. Nonetheless, evidence existed that Canon was still willing to venture into territory few dared enter, notably its research into the ferroelectric liquid crystal display (FLCD). Canon planned to invest more than ¥100 billion before seeing any return from its research into FLCD, an integral component to be used in flat, large-sized, high-definition computer and television screens—a projected replacement for the ubiquitous cathode ray tube. Whether either FLCD or Canon's entry into the PC market would prove as successful as such previous innovations as plain-paper copying and bubble-jet printing was uncertain as Canon neared the 21st century. The company, however, had weathered the worst of the Japanese recession and maintained major shares of the copier, laser printer, bubble-jet printer, and SLR camera markets. This represented a tremendous achievement for less than 70 years in existence, with more Canon success seeming to be in store for the future. 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