Canon Inc. Backgrounder

Corporate Profile

Canon Inc., headquartered in Tokyo, Japan, is a world-leading innovator and provider of imaging solutions for businesses and consumers. In 1933, Canon's first trading company, Kwanon was established and a few years later in 1937, Precision Optical Industry Co. Ltd, the predecessor of Canon Inc. was founded. The company now develops, manufactures and sells a wide range of copying machines, printers, cameras, optical products and other products to meet a diverse variety of customer needs. The Canon brand is well recognised and trusted worldwide by individuals, families and in businesses and industrial sectors.

Corporate Philosophy: Kyosei

Canon's corporate philosophy is encapsulated in the word Kyosei, meaning living and working together for the common good. This philosophy underpins everything that Canon does, from developing sustainable production methods to offering consumers more choice.

Strategic Priorities

Canon aims to deliver sound growth through rapid transformation, with the goal of joining the ranks of the world's top 100 global companies. Diversification into new business domains and expansion in areas such as medical imaging, production photo printing, network cameras, professional cinematography, and mixed reality, as well as broadening business through M&A opportunities, will all play a key role in achieving this goal. Global expansion via three regional headquarters will also advance Canon's strategy by increasing innovation and manufacturing products closer to the market.

Financials

Canon's consolidated net sales for Canon Inc. for the second quarter of fiscal 2014 were ¥926.8 billion (US $9.2 billion or €6.7 bllion*).

*Dollar and euro amounts are translated solely for the convenience of the reader from yen at the rate of JPY 101 = US $1 and JPY 138 = 1 euro for Q2 2014 figures, the approximate exchange rate on the Tokyo Foreign Exchange market as of June 30 2014.

Company Structure

Canon believes that key to its continued success is the establishment of distinct development, manufacturing and sales operations in each global region.

With approximately 194,000 employees worldwide, Canon has manufacturing and marketing subsidiaries in Japan, the Americas, Europe, Asia and Oceania; and a global R&D network with companies based in the United States, Europe, Asia and Australia.

Main Activities of the Canon Group

Operations	Main Products
Office Business Unit	Office Network Digital Multifunction Devices (MFDs), Color Network Digital MFDs, Personal-use Network Digital MFDs, Office Copying Machines, Full-color Copying Machines, Personal-use Copying Machines, Laser Printers
Production Printing Unit	Large-Format Inkjet Printers, Digital Production Printer
Consumer Business Unit	Digital SLR Cameras, Compact Digital Cameras, Interchangeable Lenses, Digital Video Camcorders, Inkjet Multifunction Printers, Single Function Inkjet Printers, Image Scanners, Broadcast Equipment, Calculator
Industry and Others Business Unit	Semiconductor Lithography Equipment, LCD Lithography Equipment, Medical Image Recording Equipment, Ophthalmic Products, Magnetic Heads, Micromotors, Computers, Handy Terminals, Document Scanner

Manufacturing & Production

Canon's production processes are constantly evolving as part of its quest to deliver higher quality products to the customer in a timely manner. Through such reforms as cell production and automated production, Canon aims for production system innovation at every stage in the process – procurement, production, and distribution. Canon also works to make a positive impact on the environment by purchasing environmentally responsible parts and materials and through efficient distribution.

The Toride Plant, established in 1961, is responsible for the manufacture of office imaging products for Canon, using the company's unique cell production system, introduced approximately 14 years ago.

The cell production system, which eliminates conveyor belt processes, sees small teams of workers, or cells, assemble products from start to finish. The number of operations each worker performs is based on individual skill levels. This production method has helped to substantially increase production efficiency and also allows flexibility in production volumes.

R&D and Technology

Canon is committed to the pursuit of cutting-edge R&D as a vital means to deliver unique, proprietary products. In fiscal 2013, the Company invested ¥306.3 billion in R&D, accounting for more than 8% of sales. In 2013, the Company was granted 3,825 patents* in the United States, placing it third among all corporations. This marked the 28th consecutive year Canon has ranked among the top five U.S. patent recipients.

Canon's five unique imaging engines drive the technology behind all of Canon's current products and were created by integrating a series of technologies developed throughout Canon's history:

- Image Capture Engine – High resolution and high image quality for lens, sensor and image processing technologies
- Electrophotography Engine – Electrophotography technology is at the heart of laser beam printers and copying machines that have been rated as the best in the world

- Inkjet Engine – Capable of delivering mircroscopic ink droplets as small as one picolitre (one-trillionth of a litre), making even DNA chip fabrication possible
- Photolithography Engine – Canon's semiconductor exposure technology integrates the ultimate in optical and ultraprecision positioning technologies
- Display Engine – Next generation flat screen display technology delivers large screen, high quality images with low power consumption

For further information on Canon Group global operations please see www.canon.com.

*Source: U.S. Patent and Trademark Office; Calculated based upon announcements of weekly totals.