Flujo Mitarai became the President of Canon, the camera and printer company, in 1995. In the 22 years since, markets and Canon’s own business portfolio have both changed a great deal. One thing that remains the same? “A company must grow or it will cease to exist,” Mitarai says. “Growth is a must.”

When Mitarai took the reins at Canon, for example, he found an indebted company whose major business lines—analogue cameras and office products—faced market saturation. Mitarai promptly withdrew from unprofitable business areas and aggressively cut production costs by switching from a conveyor belt system to a cell production one, thereby boosting profitability.

As a result, Canon was financially robust when the global market switched from analog to digital devices began gathering steam in the late 1990s. “Digitalisation set off a wave of buying as people traded up,” Mitarai notes, adding that it is easily visible, even in bright daylight. "The purchase just happened to coincide perfectly with the start of the smartphone boom. We are successfully riding that wave.” The OLED market is expected to surpass the LCD market in size in 2018, and Canon Tokki (as the company is now called) is currently doubling production of organic light-emitting diodes, or OLEDs.

“We originally acquired Tokki to manufacture OLED screens for our cameras,” Mitarai notes, adding that OLED is superior to liquid crystal display (LCD) because it is easily visible, even in bright daylight. “The purchase just happened to coincide perfectly with the start of the smartphone boom. We are successfully riding that wave.”

In order to find the next avenues of growth for the company, Mitarai took a step back and pondered the state of the world. “The global population is growing, and societies everywhere are becoming more complex. What do people want more of in these circumstances?” he asks rhetorically. “More safety and security in their everyday lives.”

One logical way for Canon to address this need was to leverage its optical sensor technology and sensor technology and know-how and move laterally into network cameras—the cameras used for things like surveillance, market research, and factory automation. The secret to success here, Mitarai sensed, would be the ability to offer a total package: camera hardware plus software, analytics, and a global sales network.

That insight prompted two rapid acquisitions, first of Denmark-based Milestone Systems, the global leader in video-management software, in 2014, then of Sweden-based Axis Communications, the global frontrunner in network cameras, in 2015. Canon’s resulting network camera business is now the largest in the world and the market is growing at a rate of 10% a year.

The surprise with respect to digitalisation was that it just happened to coincide perfectly with the start of the smartphone boom. We are successfully riding that wave.”

Breaking into the top three

Founded in 1930, Toshiba Medical is a world-class manufacturer renowned for its R&D capabilities that dominates the Japanese domestic medical market for X-ray, CT (computed tomography), MRI (magnetic resonance imaging), and ultrasound devices. However, its biggest opportunities lie overseas. “Globally, Toshiba Medical is the No. 4 player for medical devices,” says Mitarai. “Our

Japanese abilities and everything connected to the human body, the need for medical devices is never going to go away. In fact, expected increases in global population should lead to the market getting bigger.”
“HEALTH CARE ADDRESSES A FUNDAMENTAL HUMAN NEED. DEMAND IS NEVER GOING TO GO AWAY.”

How is Canon going to make that happen? Mitarai outlines a clear, three-pronged strategy. First, he wants to bring Toshiba’s R&D capabilities to bear on Canon’s proprietary technologies. “Image processing technology is one obvious area of synergy,” he points out. “MRI and ultrasound images are generally still quite hard to decipher. Canon’s technologies could help change that.” Other Canon technologies that Toshiba Medical can leverage include dynamic X-ray imaging sensors, photoacoustic tomography, medical robotic systems, and minimally invasive surgical technologies.

Second, Canon’s proven expertise in microfabrication, precision design, and production equipment optimization should help raise the quality and price-competitiveness of Toshiba Medical’s devices. A joint task force is currently examining every aspect of Toshiba Medical’s production process to see where improvements can be made.

Finally, Mitarai means to leverage Canon’s expertise in strategic investment and M&A to expand the group’s combined presence in promising new fields, from hospital IT networks to in vitro diagnostics and DNA diagnostics.

“Toshiba Medical will officially be renamed ‘Canon Medical Systems Corporation’ in early 2018,” explains Mitarai. “With its superb product development capabilities, the firm opens up new possibilities to us.” The long-term plan is to make healthcare one of Canon’s core business. To that end, experts from both companies are discussing how to capitalize on synergies as a combined entity, while a new division, Medical Systems Operations, was set up within Canon this April. Says Mitarai: “We’re pushing ahead with concrete policies to drive our healthcare business forward. My expectations are high.”

GOALS FOR 2020
In 1996, one year after being appointed president, Mitarai launched Phase I of his Excellent Global Corporation Plan, a series of rolling five-year plans designed to make Canon “a truly excellent company admired and respected around the world.” The goal of the current phase—Phase V, which kicked off in 2016—is to “embrace the challenge of new growth through a grand strategic transformation.” Mitarai has successfully assembled his four transformative new businesses—commercial printing, industrial equipment, network cameras, and healthcare—but can he deliver on the financial side, too?

Canon’s results for FY2016—profits of US$1.3 billion (¥150 billion) on sales of US$29.3 billion (¥3.4 trillion)—were the worst in a decade, excluding only FY2009, when the financial crisis was at its height. This was primarily due to the dramatic appreciation of the yen against other currencies.

But Mitarai points out that sales only dipped a few percentage points, calculated on a local currency basis, and that most Canon products remain in the top three in their categories, with cameras firmly in the No. 1 slot. And now, with his new growth engines in place, Mitarai is upbeat about Canon’s prospects.

“Last year we completed the strategic changes to our business portfolio,” he declares. “This year we are going to start expanding based on those changes. Our four new core businesses accounted for 26% of total revenues last year. This share will rise to 35% by 2020 and higher in the years beyond. I expect our existing businesses to grow at around 3%, annually and the new ones at an average of 15%. Overall, that means that Canon can expand at 6% a year.”

Mitarai’s aim is to achieve group revenues of ¥5 trillion by 2020, with operating profit margins of 15% and net profit margins of 10%. That will be a grand transformation indeed.