Porter Prize Organizing Committee
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2001 Porter Prize Winners

- **Single-Business Company Category Winners**

  MABUCHI MOTOR CO., LTD.

  (Development, manufacturing and sales of micro motors)

  Matsui Securities Co., Ltd.

  (Securities business)

- **Division of Multiple-Business Company Category Winners**

  Lens Division, Canon, Inc.

  (Development, manufacturing and sales of lens units)

  Vision Care Company, HOYA Corporation

  (Development, manufacturing and sales of eyeglass lenses)

Selection Criteria

The essence of strategy is to do things differently from others. Based on this premise, the Porter Prize recognizes those companies and business units that have chosen to compete in a distinctive way in a particular industry by delivering a unique value proposition, based on innovations in products, processes, and ways of management.

First-stage Selection Criteria

(1) Superior sustainable profitability within the industry
(2) Unique/different value proposition
(3) Strategic continuity over time
(4) Innovations that enable the strategy

Second-stage Selection Criteria

(5) Utilization of capital analysis
(6) Distinctive value chain
(7) Trade-offs
(8) Fit across activities

(Note: In the analysis of capital utilization, the key focus will be on ROIC (Return on Invested Capital) and ROS (Return on Sales). The following report of the winners includes a comparison of these figures with the industry averages. A positive figure exceeding the industry average indicates that the capital utilization of the company or business is better than the industry average. The four-year average for a particular company is calculated by totaling the numerators for each year, and dividing this figure by the aggregate total of denominators for the same four years. Please note that the derived four-year average is not necessarily equal to taking a simple average of the ratios for the four years. The data used in calculating the industry average was obtained by carefully selecting companies that allow for a true comparison among those classified as being in the same industry. (The Porter Prize Organizing Committee is grateful to Daiwa Institute of Research for its support in providing data and carrying out analysis for capital utilization during the selection process.)

Selection Rationale (Recipients are addressed in no particular order): MABUCHI MOTOR CO., LTD.

Continuous implementation of a standardization strategy for small DC brush motors spanning half a century, and maintenance of the top position in the global market.

Continuity of its Standardization Strategy
Regarding the competitive strategy of Mabuchi Motor, continuity of its standardization strategy deserves special mention. Originally, a common practice of the small motor industry had been to customize the motor design to meet every customer requirement. In the early 1970s, Mabuchi Motor discontinued this practice, and instead pursued product standardization. Ever since then, Mabuchi has persistently worked to achieve more thorough implementation of this standardization strategy. It is easy to see that the degree of standardization in Mabuchi Motor is exceptionally higher than at other motor manufacturers, as demonstrated by the fact that the production volume per model at Mabuchi is equivalent to the total production volume of all the other competitors combined.

Impact of Standardization
For Mabuchi, standardization has resulted in lower production costs, uniform quality, and the flexibility to increase supply to meet rapid surges in demand, factors which continue to be the source of the company's competitiveness. Standardization yielded further synergies with the commencement of production in Hong Kong in 1964. Standardization made it easier to undertake production in Hong Kong, and enabled the simultaneous achievements of low-cost operations and the manufacture of products of a uniform quality. As products became standardized, the company could maintain a stock of inventory at a reasonable cost, which in turn enabled the company to supply large-volume orders at short notice. (Please refer to the attached "Activity System Map" for a more detailed account of the interrelationship of these activities.) Although Mabuchi Motor has a strong capability for low-cost manufacturing, it has been able to avoid price wars because of the uniformly high quality of its products and its capability to fill large-volume orders. As a result, Mabuchi's return on sales (ROS) is much higher than the industry average.

Dynamics of the Strategy
Mabuchi Motor has maintained more than a 50% share of the global market for small DC brush motors for over several decades. Standardization essentially requires the sacrifice of customer satisfaction to some extent, in that products can no longer be tailored to meet any one customer's specifications. Mabuchi, however, has been able to maintain its competitiveness, firstly, because it targeted users whose products do not require the customization of motors.

Secondly, Mabuchi has constantly been cultivating new market segments while adhering to its strategy of standardization. The users Mabuchi currently serves include manufacturers of audiovisual equipment, automotive products, home appliances, power tools, and precision machinery and office equipment, as well as toys and models. The expansion of user segments was possible only through the continuous redefining of standardization contents. Mabuchi focused specifically on small DC motor with contact brushes. The company has been working on this product since the company's founder Kenichi Mabuchi invented a small horseshoe-shaped magnet motor in 1947. The company specialized in this technology, and continuously improved it to make sure that its products would meet the functional and precision requirements of new user segments.

Return on Invested Capital (ROIC): MABUCHI MOTOR CO., LTD.

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
9.72%	10.30%	14.96%	11.27%	5.95%

Return on Sales (ROS)

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
19.98%	17.14%	22.12%	22.51%	20.61%

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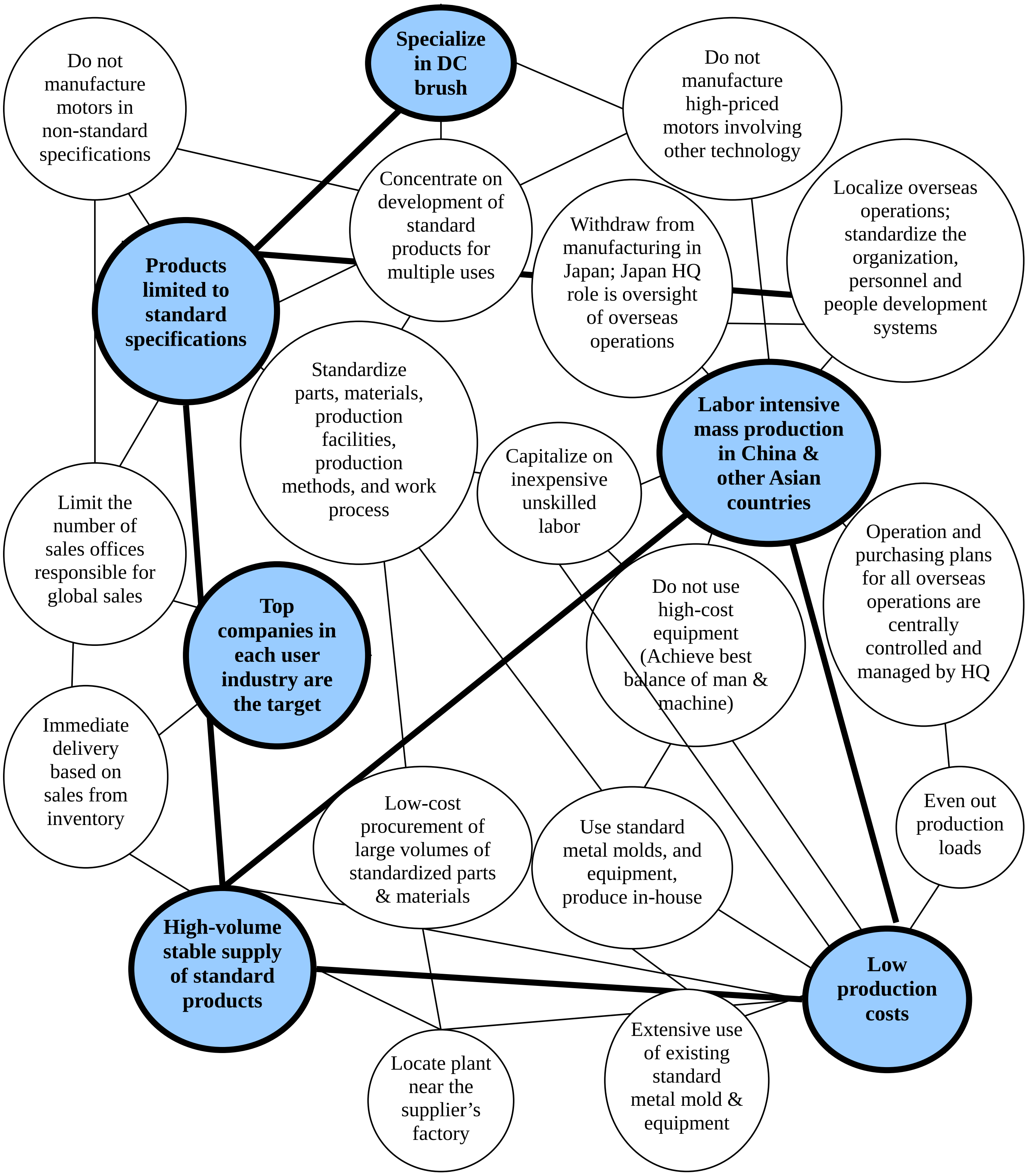
Activity System Map --- MABUCHI MOTOR CO., LTD.



Selection Rationale (Recipients are addressed in no particular order): Matsui Securities Co., Ltd.

Making a conscious choice about "what not to do," and choosing to specialize in credit transaction services for individuals

Trade-offs

What should be noted about Matsui Securities' competitive strategy is its clarity regarding trade-offs. Trade-offs refer to a relationship in which you must give up something in order to gain another option. In other words, a trade-off requires a person to make a conscious choice regarding what to do and what not to do. Matsui Securities has chosen as its target customers only those individuals with considerable trading experience, and the company provides securities trading services to individuals (especially for credit transactions). The company has decided not to offer its services to corporate customers or individuals with little experience, who would require consultations. It also does not offer services related to stock investment trusts, mini-stocks, cumulative investments, and MMFs, all of which require product explanations. By choosing not to deal with such customers, nor to provide the aforementioned services, Matsui Securities was able to eliminate various other standard business features, such as sales offices and staff, consultations and other services, and eventually its call center. First, the Company closed all its sales offices, and dismissed sales staff and transferred consultation functions to a call center. Later, it switched over to an on-line transaction service, and ended up closing the call center as well. By choosing to eliminate these features, Matsui Securities established a low-cost structure that could not be matched by a full-line securities firm. Furthermore, Matsui chose to specialize in credit transactions for individuals. The company was able to develop specialized systems for executing such transactions, and provided information to customers on-line regarding their transaction status and their current asset balance. As a result, the company was able to reduce its brokerage fee structure, or box rate, to as low as ¥3,000. Matsui Securities achieved both a Return on Invested Capital and a Return on Sales that are much higher than the industry average, and these gaps are widening each year.

Unique Value Provision

Matsui Securities has clearly differentiated itself from full-line securities businesses. How, then, was Matsui Securities able to establish an overwhelmingly dominant position among on-line securities companies? Matsui ranks top in the securities industry for its credit transaction volume, and the company has the top market share among on-line securities businesses. Matsui was able to achieve a competitive advantage by targeting a totally different customer segment than other on-line securities companies, and by providing its customers with unique value that cannot be delivered by any other competitors. Matsui's target customers are individuals aged 40-70, who actively engage in stock trading. The unique value that Matsui Securities delivers to such clients is an abundant supply of objective information, in addition to the convenience of on-line trading and a low box rate of ¥3,000. Credit transactions are complex and inherently involve risk. Matsui, however, has simplified risk management for its clients by applying strict rules that have been built into the company's in-house developed transaction system. Matsui Securities draws on a wealth of experience amassed during its 80-year history, as well as an extensive knowledge of the investment behavior of Japanese individual investors, and the securities market informs all of its activities. (Please refer to the attached "Activity System Map" for a more detailed account of the interrelationship of these activities.)

Return on Invested Capital (ROIC): Matsui Securities Co., Ltd.

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
18.45%	7.74%	9.34%	28.57%	29.67%

Return on Sales (ROS)

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
20.13%	21.96%	22.59%	10.19%	37.94%

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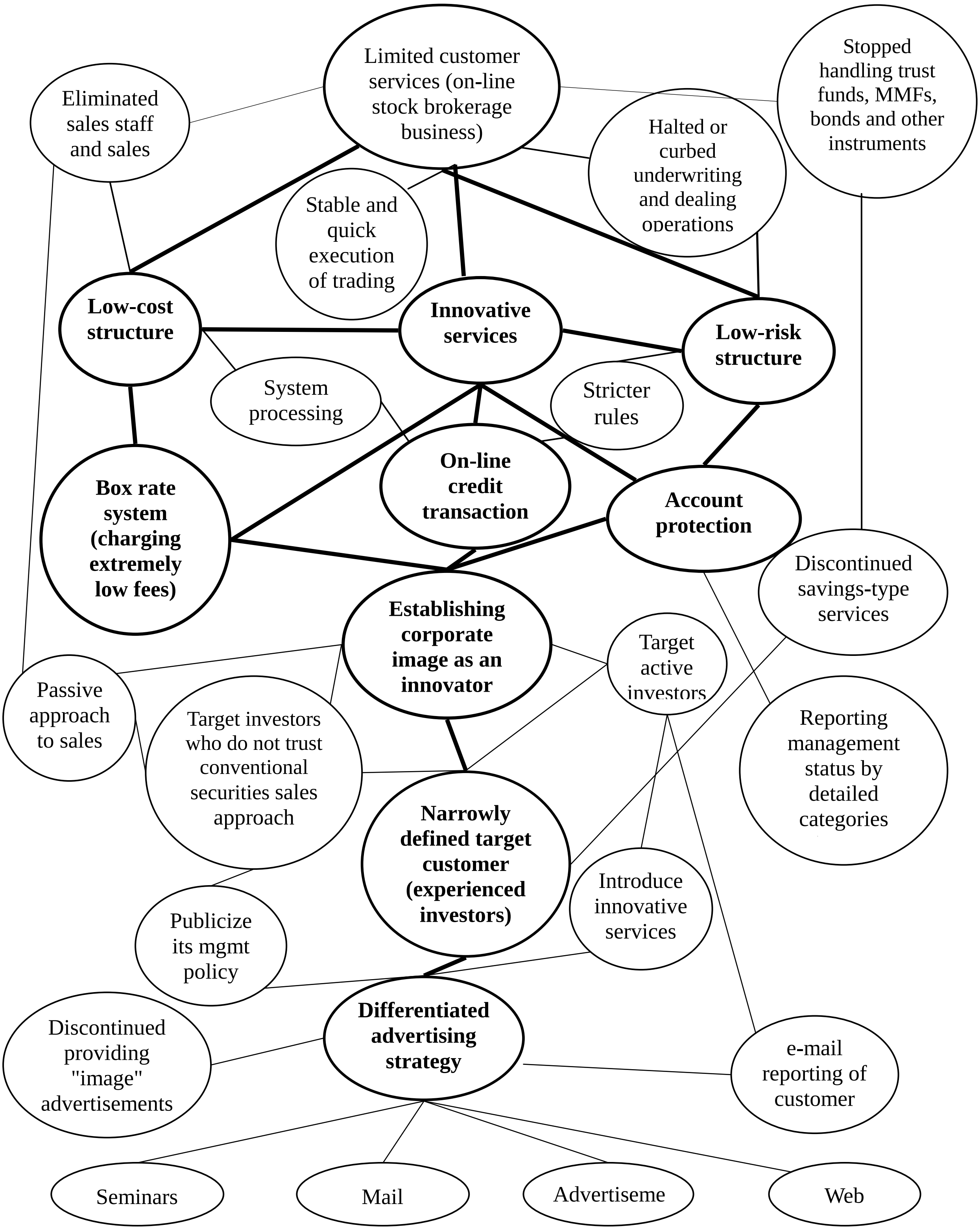
Activity System Map --- Matsui Securities Co., Ltd.



Selection Rationale (Recipients are addressed in no particular order):
Lens Division, Canon, Inc.

Continuous innovation achieved in lenses and its control technology.

At Canon, Inc., the Lens Division is responsible for the development, manufacturing and sales of lenses and lens units that become one of the key modules of single-lens reflex cameras, digital cameras, video cameras, copying machines, laser-beam printers, facsimile machines, image scanners, security cameras, and LCD projectors.

What is remarkable about the competitive strategy of Canon's Lens Division is the consistency of its strategy and the continuity of its innovations. From the company's earliest days, the Lens Division has focused on its key components -- lenses and lens units -- and extended its frontier into new fields through innovation. More specifically, it developed the electronic technology necessary for controlling the lens, such as auto-focusing, sight-line input devices, and anti-shake systems, among others, and moved into new usage areas that require even further miniaturization and better functionality, by developing new materials or by altering the design altogether. The Lens Division's strength in technological innovation is also demonstrated by the number of registered patents the company holds. In the category of zoom lenses, Canon has registered twice as many patents as its competitors since 1993, and the company currently accounts for 38% of all patents registered in this category. Furthermore, the extent to which Canon is able to realize practical applications of this technology is truly remarkable. The average number of areas for commercial application of lenses and lens units for the 20 major lens manufacturers in Japan and abroad is only 2.9, whereas Canon's Lens Division supplies units for as many as 8 areas.

Fit Across Activities

Canon's continuous innovations were made possible by its unique activity system. For one thing, Canon consolidated optical technology development units that previously had been dispersed throughout its various product divisions, and created the Lens Division. Canon's lenses have become a major differentiating factor, not only for single-lens reflex cameras but also for other products, such as digital cameras and projectors. With product divisions that require lenses as its key component, Canon's history has been fueled by technological innovations in both products and lenses. Furthermore, Canon created a work environment that would accelerate the integration of innovations in lens technologies in various products by locating the research and development staff in a single location so that they may work closely with the product divisions. Another aspect of Canon's activity system lies in the development of production technology. Leveraging the sophisticated skills of production engineers who had been polishing lenses with precision measured in microns, Canon combined such skills with design theory, precision machining technology, and precision measurement technology. (Please refer to the attached "Activity System Map" for a more detailed account of interrelationship of these activities.)

Canon's Lens Division has made a conscious effort to utilize its technological superiority in branding, and despite being a component, the Canon lens is recognized as a strong global brand.

As a result, the Lens Division of Canon, Inc. has achieved a high Return on Invested Capital and a Return on Sales that far exceeds the industry average, and these margins are still widening.

Return on Invested Capital (ROIC): Lens Division, Canon, Inc.

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
6.40%	-0.35%	4.99%	2.75%	18.37%

Return on Sales (ROS)

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
5.94%	2.46%	5.27%	3.17%	11.21%

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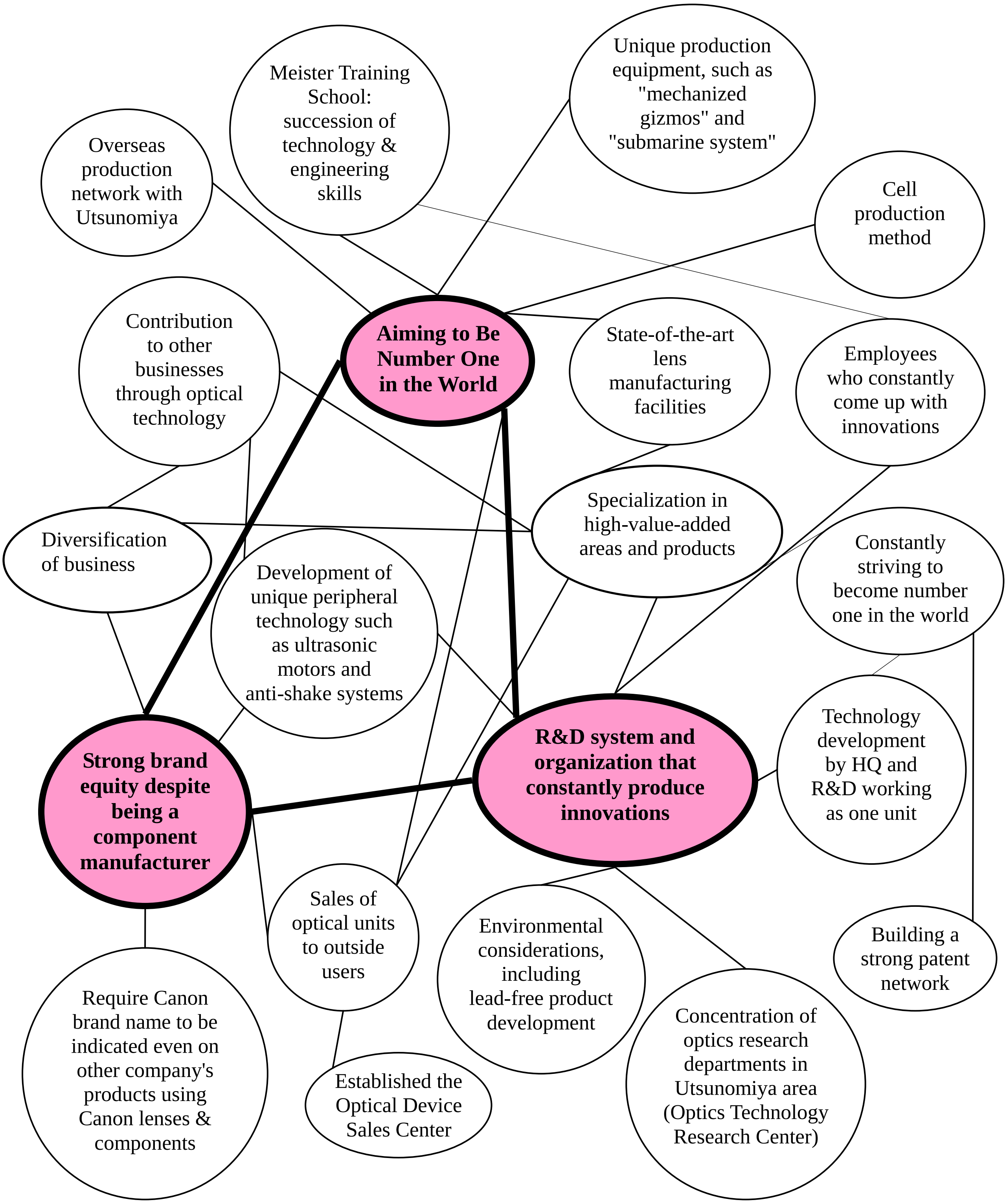
Activity System Map --- Lens Division, Canon, Inc.



Selection Rationale (Recipients are addressed in no particular order):
Vision Care Company, HOYA Corporation

High-value-added and customization strategy

The Vision Care Company of HOYA Corporation achieves high profitability with its customization strategy. In the manufacturing industry in Japan, where customization often results in low profitability, this is a unique competitive advantage. This involves much fine-tuning and a refined fit across its activities.

Fit Across Activities

The strength of the Vision Care Company of HOYA Corporation is its high-value-added lenses, which are thin, non-reflective, and offer good optical quality. Emphasis is placed on the provision of high-value-added plastic lens with a high refractive index. To this end, the company aggressively pursues innovations in the development of ever higher performance materials through joint development projects with Japanese chemical manufacturers. Consequently, HOYA's brand image in the Japanese and European high-value-added lens markets is one of high-performance lenses. It was fortunate for HOYA that chemical manufacturers in Japan operate on a much smaller scale than their counterparts in the U.S. and Europe. Compared with the overall chemical product market, plastic lenses with a high refractive index is a small niche segment. Japanese chemical companies, which operate on a small scale, embraced this small niche market.

Furthermore, HOYA innovated the order process of custom-order lenses by taking over the burden from optical shops. Specifically, HOYA simplified the ordering process for opticians by developing an on-line ordering system, and provided services to customize lens to fit each user's frames and specifications. Changes included the undertaking of lens cutting and coating at its own factories, which greatly reduced the work burden for opticians in eyeglass shops handling the information of individual customers. Such innovations were possible because HOYA commenced direct sales to optical shops, marking a departure from the conventional practices of Japanese lens manufacturers. Direct sales meant that HOYA had to exchange information with the shops, and this access to such information inevitably lead to the establishment of an in-house lens cutting service. HOYA also built factories for undertaking final processing close to the market, thereby enabling shortened delivery times and speedy responses to individual customer requests. Simultaneously, the company took advantage of the benefits of large-scale mass production by concentrating the production of finished and semi-finished products at its plant in Thailand. (Please refer to the attached "Activity System Map" for a more detailed account of interrelationship of these activities.)

The Vision Care Company of HOYA Corporation ranks top in the world in sales of plastic lens with a high refractory index, and holds the number two position in the world as an eyeglass lens manufacturer. As a result of an activity system that enables high profitability despite a customization strategy, it has realized a Return on Invested Capital and a Return on Sales that are much higher than the industry average.

Return on Invested Capital (ROIC): Vision Care Company, HOYA Corporation

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
12.15%	5.41%	15.07%	15.60%	12.76%

Return on Sales (ROS)

(Unit: Percentage points)

4-Yr. Avg. Margin Above Industry	Annual Margin Above Industry			
	1997	1998	1999	2000
10.02%	6.43%	11.73%	12.04%	9.89%

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Activity System Map --- Vision Care Company, HOYA Corporation