

Message from the Lead Officer



Norihisa Takayama
Senior Vice President & Executive Officer
Business Technologies Business

The Business Technologies Business has created many products and services on the strength of the diverse technologies it has cultivated in the development of hardware, IT solutions, and production technology that integrate machinery, electricity, optics, chemical products, and control software. And now, supported by our global supply chain, sales and service network, and quality assurance, we generate more than 70% of the Company's sales.

While this business has traditionally improved customers' intellectual productivity by providing high value-added documents and services, from now on we will aim to make further contributions to society from the perspective of DX innovation. For example, in the office and DW-DX businesses, we will continue to provide products and services that contribute to improving fulfillment in work, and in the Professional Print Business, we will contribute to addressing climate change and the effective use of limited resources by transitioning from analog to digital printing.

In the future, we intend to support the Company's growth by leveraging the intangible assets we developed and evolving our business portfolio by creating added value in response to customer needs, thereby meeting their expectations and further strengthening our profitability and cash generation capabilities. At the same time, over the medium- to long-term, we will proactively incorporate technological advancements, as typified by generative AI, to further contribute to solving social issues.

It is my role to define and indicate a concrete path toward such evolution and resolution of issues. We will continue to leverage our corporate culture, symbolized by our 6 Values, and mobilize the strengths of our diverse human capital to achieve solid growth.

Digital Workplace

Office

Market Environment Awareness

Opportunities

- Increased need for workflow optimization related to office documents and digitization of paper, and demand to strengthen information security
- Growing demand for color MFPs in China, India, and other growth markets
- Stricter environmental standards in bidding requirements for MFPs

Risks

- Decreased office printing due to the establishment of diverse working styles
- Shrinking demand for A3 color MFPs in developed countries
- Risks in the supply chain such as procurement and manufacturing (logistics) due to various environmental changes

Market growth rate (2023-2025)

	Hardware	-1%
MFPs	Non-hardware	-5%

Strategy and progress

Our business has built a direct sales structure in major markets such as Europe and the U.S. from an early stage, and the solid customer base we have built through our genre-top strategy in the area of color is the source of our earnings power. Today, by combining MFPs with IT services, we provide solutions that help optimize and solve issues in the office environment. We enable our customers' employees to engage in more creative work and improve their fulfillment in work, which supports the further development of their businesses and enhancement of their corporate value.

The office business is a maintaining profit business that contributes to the Company's overall profit and cash generation. Although print volume has been declining in recent years, gross profit has been maintained thanks to initiatives such as "One Rate*," our unique flat-rate billing program that does not depend on print volume fluctuations. To reduce SG&A expenses, we have been promoting operational innovations, such as remote services that maintain the operation of MFPs without requiring customer visits, to improve reliability and service efficiency. In addition, the Company has been a pioneer in the use of AI to identify priority customers, thereby promoting improved efficiency in sales activities. Furthermore, in fiscal 2023, we achieved a thorough reduction of production costs, and our profitability is improving at a pace exceeding our initial plan.

In response to the long-term market contraction trend, we

are pursuing the possibility of manufacturing alliances. In April 2024, we began discussions with FUJIFILM Business Innovation Corp. toward a business alliance in the areas of raw materials and parts procurement, toner development and production, and others (see page 17). In July, we decided to establish a joint venture to collaborate in the procurement of raw materials and parts and signed a shareholders' agreement. By utilizing the extensive supplier networks of both companies, we aim to reinforce our business foundation through this joint venture by establishing a robust supply system for products and increasing the efficiency of our business processes.

In contributing to a decarbonized society, we are promoting the use of recycled materials in the exteriors of MFPs (see page 46) and the reduction of greenhouse gas emissions throughout the product life cycle. In Europe, where we have a large market share, we will expand business opportunities by complying with strict environmental standards that are requirements for bidding.

* One Rate: Our unique flat-rate billing model, as opposed to the traditional monthly variable billing method

Strategic KPI

	FY2023 Results	FY 2025 Targets
U.S. One Rate MIF penetration rate	25%	30%
Remote services execution rate	23%	35%

Business Technologies Business

Digital Workplace

DW-DX

Market Environment Awareness

Opportunity

- In addition to market growth, demand for DX promotion is increasing among companies and local governments seeking to improve operational efficiency. In addition, opportunities for value creation by using new technologies such as generative AI to solve problems will increase.

Risk

- Soaring labor costs for IT personnel

Market growth rate (2023-2025)

Operation optimizing services	Enterprise Content Management	+5%
	Enterprise Resources Planning	+10%

* Konica Minolta estimates

Strategy and progress

This business's strengths lie in its strong customer base and multifaceted customer contacts built through the office business, as well as in its human capital and organizations who gain deep insight into workplace issues and work with customers to formulate and implement solutions. However, there is a mixture of various services, some of which are not profitable. Considering these circumstances, we have positioned this business as a direction-changing business and are narrowing down regions and countries of operation, and service products. At the same time, we will meet customer needs specific to the industries and business sectors in each region and promote the development of our own unique services that continuously and progressively update the value provided through the use of AI and data in order to expand our customer base and improve profitability.

Strategic KPI (vs. FY2022)

	FY2023 Results	FY2025 Target
Sales per employee	\$50,000/month	+2%
Gross profit margin of operation optimizing service	32%	+1pt

Professional Print

Production Print / Industrial Print

Market Environment Awareness

Opportunities

- The shift from analog printing, such as offset printing, to digital printing has accelerated.
- In commercial printing, marketing methods have become more individualized and are based on shorter cycles, and in industrial printing, the demand for packaging/label printing has increased due to the shift to small lots with the increase in global population and the increase in private/local brands.
- There is a shortage of skilled workers in printing companies and increasing concern for the environment.

Risk

- Reduced demand for printing due to geopolitical risks and economic fluctuations, reduced willingness to invest in capital and delayed decision-making among printing companies.

Market growth rates (2019-2029)

	Commercial printing	+4%
Digital printing	Label printing	+6%
	Packaging printing	+20%

* Konica Minolta estimates

Strategy and progress

In this business, we are accelerating the spread of digital printing while expanding the scope of our business based on our strengths in technological capabilities to achieve high-quality printing on a variety of printing media using various printing methods and our customer development capabilities. This contributes to the improvement of fulfillment in work in the printing field and to the reduction of losses in each process of the printing lifecycle and impact on the environment.

In production print, we will work with brand owners and others to co-create a system that helps maximize the cost-effectiveness of printing while minimizing environmental impact, aiming to increase the willingness of printing companies to use digital printing. In addition, we will expand the number of Heavy Production Printing machines installed in the market,

Strategic KPI (vs. FY2022) Production print

	FY2023 Results	FY2025 Target
HPP machines in the field	+52%	+170%

which is expected to meet large-scale printing demand, to capture demand in growing markets while increasing non-hardware revenues.

In industrial print, we will accelerate the introduction of the AccurioJet KM-1e digital inkjet printing press and promote the digitalization of commercial printing by achieving both high quality and productivity. In addition, the Company will promote total solutions combining digital embellishment presses to add value to printed materials and expand sales.

Regarding our label presses, we will introduce models with improved image quality and productivity to expand the target customer base. Regarding our textile presses, we will promote the digitalization of analog textile printing through a broad product lineup. Through these efforts, we aim to greatly expand non-hardware sales.

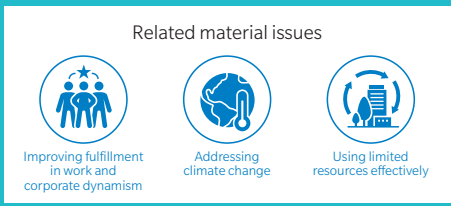
Strategic KPI (vs. FY2022) Industrial print

	FY2023 Results	FY2025 Target
Revenue growth rate of non-hardware	+24%	+101%

Value Co-creation with Customers – Case 3

Professional Print

Supporting DX in the printing business by diving deep into our customers’ production processes



Leftover analog production processes in the digital printing field are a challenge

Analog printing, which is the current mainstream in the printing industry, is suitable for mass production and mass delivery because it produces the same prints at a low cost, but it also tends to lead to mass waste. Digital printing, on the other hand, enables printing what is needed, when needed, and in the amount needed, minimizing paper loss generated in the printing process and reducing the production and distribution of unnecessary printed materials, thereby contributing to a reduction in environmental impact. For these reasons, the digital printing market is expected to grow at an annual rate of 4% while the commercial printing market shrinks.

However, even with the introduction of digital printing presses, analog production processes such as paper-based printing instructions may still remain. Paper-based instructions have limitations even when making production plans for small lots of multiple products in order to print what is needed, when needed, and in the amount needed. Although our customers are aware of the need to digitalize the production process and make detailed production plans, they are unable to take action because we do not have the capacity to invest in a large-scale system, nor frontline human capital with IT skills to start a small-scale production process from the workplace. Therefore, they remain dependent on frontline labor.

Digitalizing the production process through co-creation with customers

To address this issue, Konica Minolta has launched “Workflow DX,” an initiative to support the digitalization of the production process through co-creation with customers by delving deep into the customer’s print production site.

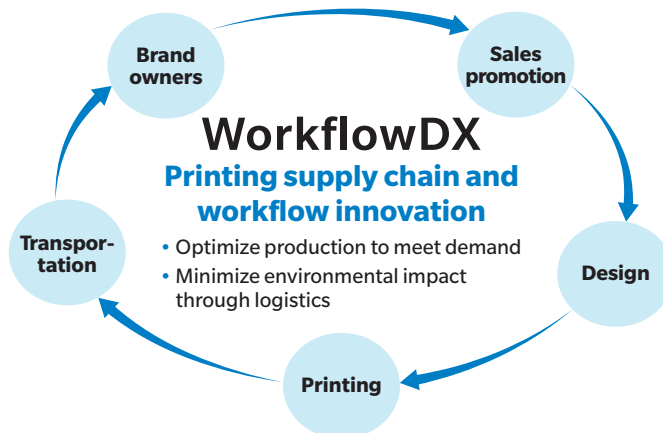
We consult with management on the direction of business

transformation they are aiming for, and at the same time, we listen to the challenges they face on the frontline, and together we consider and propose how we can assist in digitalization to bridge the gap.

There are three key points in proposing the digitalization of production processes: (1) Can we reduce the number of steps in the production process and put more time into creative rather than simple tasks? (2) Can we make work progress visible and measure the effects of improvements? (3) Can we make the investment? To achieve this, our ICT specialists consider and propose how best to combine the customer’s existing system with various means, including our own products, other companies’ products, and customized products.

Workflow DX aims to improve the value of printing and revitalize the printing industry by building a recycling-oriented supply chain suitable for digital printing, starting from co-creation with customers. In addition, by reforming the supply chain, including logistics, we will contribute to further reduction of environmental impact.

Circular supply chain for digital printing



Voice



Hidetaka “Henry” Yoshida

System Control Development Center, R&D strategy and Operation, Professional Print Business Headquarters

I want to pursue real value by working closely with those who work in the field of printing

When we proposed workflow digitalization to one of our customers, we proposed a plan that would maximize our strengths in automation and efficiency in the printing process. However, the customer pointed out, “This alone won’t let us visualize improvements, so it won’t convince management and it won’t lead to job satisfaction for the employees.” We realized that selling our products had become our objective and that we were not imagining the people on the frontlines who would use them.

In the end, we suggested a new proposal, which the client adopted, to link our system with another company’s management information system which the customer was already using to achieve both automation, efficiency, and visualization of the positive effects of the system. The frontline workers said, “Printing work has become easier since we linked the systems.” This experience taught me that being close to the people on the frontlines is the key to real value.