

2. PENDING ISSUES

Through sales of digital MFPs, medical diagnostic imaging equipment, measuring instruments, and related services, Konica Minolta is connected to some two million corporate customers in around 150 countries worldwide. These corporate customers are active across a wide range of industries and business types, including manufacturing, distribution and retail, printing, healthcare, and nursing care services. In recent years, they have been increasingly adopting the latest digital technologies, leading to intensifying desire for problem-solving in the areas of improved operational productivity, optimization, and decision support.

For the previous Medium Term Business Plan (FY2014–2016), implemented strategic acquisitions of companies and honed its strengths in the following three areas.

- Acquiring cutting-edge technology in such areas as high-speed processing of video and medical imaging platforms, in addition to the core technologies that the Company has cultivated in the fields of optics, imaging, materials, and nano-fabrication.
- Acquiring, in the major global countries, plentiful human resources able to handle proposals for operational reform in areas related to IT, and their know-how, in addition to sales teams specializing in the sale of equipment and support
- Strengthening teams working full-time in locations close to five major regions around the world to collaborate in the creation and development of new business services to solve customer problems

Using these newly reinforced strengths as a foundation, the new Medium Term Business Plan SHINKA 2019, which started in April 2017, will pay particular attention to nurturing businesses in the following three fields, and by doing so accelerate the transformation to a highly profitable company.

1. High value-added services appropriate to an IoT era in which things are connected to other things

These are services that solve problems faced by our customers in relation to process innovation, working style reform, and decision-making support at their sites. Specifically, this is the area in which the “Workplace Hub” announced in March 2017 will be put to effective use. In the office area, we will extend the range of our value provision by means of alliances with some of the world’s largest IT companies. We will also broaden services that make active use of IoT in the area of healthcare, digitalization support for manufacturing, security, and status monitoring.

2. Full-scale promotion of digitalization in commercial and industrial printing

In the commercial and industrial printing sectors, the digitalization ratio remains at a low level of under 5% globally. In order to realize a rise in the digitalization ratio, we will launch new products based on inkjet technology, and leverage acquisitions to strengthen our business in the fields of packaging, label, and textile printing.

3. Full-scale entry into the area of precision medicine

As well as improving the rate of effectiveness of cancer treatment for patients, we will make a full-scale entry into this market and use our technological strengths – such as image analysis technology that leverages AI and our molecular imaging know-how – to resolve the social issue of improving the success rate of pharmaceutical development. We will then tackle the two issues of improving the survival rate and quality of life for cancer patients, and reducing the burden of medical expenses.

In addition, with regard to existing mainstay businesses, we will bring to a successful conclusion our structural reform of costs globally, enabling fundamental improvements in our earnings power with the following main pillars:

- Horizontal deployment to other manufacturing sites within the Group and promotion of the significant reduction in production costs derived from the digital manufacturing approach

- under development at the Company's Malaysian factory;
- Reduction of service costs through the expanded use of failure prediction and remote support; and
- Reduction of administration and indirect expenses through improved productivity and working style reform that make use of IT and AI.

In addition, the key to achieving the new Medium Term Business Plan will be the nurturing and acquisition of human resources who can win at a global level. To this end, we will push ahead with the nurturing of human resources who can show leadership and stand at the forefront of this revolution, based on the “6 values” of the Konica Minolta Philosophy (“what we stand for and directs our decision-making”).

As a result of the above-mentioned important initiatives, by fiscal 2019, the final year of the new Medium Term Business Plan, we aim to achieve “at least ¥75.0 billion in operating profit, ¥50.0 billion in profit for the period, and ROE of 9.5%.”