

## **2. ISSUES TO BE ADDRESSED**

The Group has expanded its businesses and developed high value-added services through providing products globally in the office, production print, healthcare, and industrial businesses by embedding IT services that enhance those product values by resolving business issues specific to industries and businesses.

Meanwhile, the advance of technologies, such as IoT, artificial intelligence, and robotics, has been accelerating the speed of digital transformations in various industries. At the same time, the expectation and social needs for the Group have also been increasing as an entity that will resolve issues faced by society for realizing the sustainable world.

Under these circumstances, the Group believes that it is necessary to attempt to expand its business size in the new fields within growth and new businesses, in addition to honing the Group's strength, which is competitive edges and profitability in its existing businesses, to realize further growth of the Group.

In the existing businesses, the Group will strive to improve efficiency and enhance profitability through the following: bringing new and innovative products to market that are tightly focused on usability and appealing levels of quality, and competitiveness; reducing manufacturing costs by promoting automation; reducing service costs through expanded use of predictive maintenance and remote support; and enhancing productivity of administration and indirect operations by utilizing information and digital technology.

In the growth and new businesses, the Group is highly committed to images, which is one of the Group's strength, and focuses on "make the invisible visible" using the Group's proprietary digital technologies. Such data and images generated will be accumulated and analyzed to create new values with high-security.

In particular, the Group has made a full-scale effort on working style reforms by ramping the Workplace Hub business, innovating printing processes and enhancing the "genre-top" strategy through industrial printing, inheriting technologies and skills in the manufacturing field as well as ensuring safety, pursuing nursing care based on scientific data, and promoting precision medicines. During the current fiscal year, customer values delivered by the Group received expected response, which provided reassurance that the Group is able to further strengthen its competitive edge. In the fiscal year ending March 31, 2020, the Group will prioritize allocation of management resources in order to expand the size of its growth. As a result, one of the management targets for FY2019, which is the operating profit target of at least 75 billion yen previously announced in the Medium Term Business Plan, "SHINKA 2019," has been revised to 66 billion yen. That said, the Group is committed to build the solid foundations for growth and new businesses to develop those into the future revenue pillars for the Group.

Through these businesses, the Group aims to support all business person in demonstrating their creativity and contributes to improve the quality of life in an aging society in addition to realizing significant efficiency in operations, leading to the progress in business and human society.

In order to realize the sustainable world, it is vital for companies to continuously create innovations and enhance the human capital that can upgrade such innovations into the values to resolve issues faced by society. The Group will continue to discover and nurture diverse human resources from a global perspective, constantly invest in human capital in younger generations, and spread the awareness of the code of conduct "6 Values" with everyone in the Group, striving together as one, and continue to pursue the corporate philosophy "The Creation of New Value."

## **3. BASIC VIEWS ON SELECTION OF ACCOUNTING STANDARDS**

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) for its consolidated financial statements in order to unify accounting methods within the Group and improve the international comparability of financial information disclosed to the capital markets.