Strategy for Professional Print Business

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Growth in the Professional Print Field

Small-scale commercial printing
- Centralized Reprographic Department

- AccurioPress C14000/C12000
- AccurioPress C6100/C6085
- AccurioPress C4080/C4070
- AccurioPress 6136/6120

Commercial printing
- AccurioJet KM-1e

Package printing
- AccurioLabel 230

Label printing
- Top in genre for middle-range label
- Second in genre due to high image quality with UV ink

Textile printing
- Nassenger8
- Nassenger10
- NassengerSP-1

Digital paper cutters
- JETvarnish 3DS (Varnish & foil: B3)
- JETvarnish 3D Evolution (Varnish & foil: B2–B1)
- JETvarnish 3DW (Varnish & foil: rolled sheets)

Differentiate from competitors with decorative printing

High-quality printing at growing printing companies / Expand digital printing in printing fields without reductions

Value selling

Business expansion focused on countries and markets in which industries are located
We expect the market to begin expanding compared to FY19 in FY21, and that the HPP market will subsequently expand in the medium to long term due to market changes in a post–COVID–19 world. Industrial printing grew even during the COVID–19 outbreak, and we expect growth to accelerate going forward.

**Target Markets and Basic Policies in Professional Print Business**

**Basic policies**

- Hold on to clients with decorative printing machines
- Drive market with the introduction of machines that can handle integrated production
- Expand medium-scale clients with current machines
- Attract large clients with the introduction of high-speed machines
- Aim to move from second place with 30% share in H1 FY20 to top share by attracting customers with HPP machines
- Launch water-based inkjet printers with high image quality
- Maintain top share of more than 40% with MPP machines
- Maintain top share with launch of new LPP machines
Target Customer Base, Digital Printing Ratio, and our Product Development

Recovery in existing business fields and accelerating businesses in growth areas

① Market approached with KM-1; use sales force that has been strengthened with KM-1 and expand business with HPP machines
  Use MGI products as door opener
② Promote digitalization by resolving printing companies’ management issues (DX for printing companies) during and after COVID-19
  • Provide effective printing by customer segment
  • Establish efficient production methods for small-lot printing
  • Strengthen on-demand and remote operations; achieve distributed printing and reduce environmental load
③ Currently, label printers for mid-sized customers; expand business target to medium and large clients by introducing HPP engine products
  Enter paper containers market using MGI products

Commercial printing customers

- Major
- Mid-sized
- Small

Printing within company

LPP machines
MPP machines

HPP machines
B2 digital printers
Water-based inkjet, continuous feed

Commercial printing market (forecast for 2022)
(only high-value-added market)
¥2.9 trn
Printer vendor market

Fields to give greater weight from FY20

Existing main market accounting for 90% of the business; build genre-top products in this market

Industrial printing clients

- Major
- Mid-sized
- Small

Industrial printing market (forecast for 2022)
(paper containers, labels)
¥2.1 trn
Printer vendor market

Fields to give greater weight from FY20

Digital printing

23%

9%

Mid-range label printers

High-volume label printers
Digital printing for paper container,
Integration of decorative printing

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Market’s Return to a Growth Trajectory and Business Expansion for New Products and Growth Markets

Sales recovery by recovery of non–hardware and effect of new products in FY21, Business expansion in growth fields in FY22

<table>
<thead>
<tr>
<th>Existing business fields</th>
<th>FY21</th>
<th>FY22</th>
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<tbody>
<tr>
<td>• Recovery in earnings after slump due to impact of COVID–19</td>
<td>¥5.5bn</td>
<td></td>
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<tr>
<td>• Strengthen competitiveness with new products in H2 FY20 and H1 FY21</td>
<td></td>
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<td>• Reduction in cost of sales for services due to remote maintenance</td>
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<table>
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<tr>
<th>Growth business fields</th>
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<tbody>
<tr>
<td>• Expand business at medium–sized and large printing companies (HPP machines, B2 digital printers)</td>
<td>¥3.5bn</td>
<td>¥4.0bn</td>
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<tr>
<td>• Further business growth in label field</td>
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*Index assuming 100 in FY20

Increase in operating profit

PP: Production print  
IP: Industrial print

<table>
<thead>
<tr>
<th>PP non–hardware</th>
<th>PP hardware</th>
<th>IP non–hardware</th>
<th>IP hardware</th>
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<tbody>
<tr>
<td>FY20</td>
<td>FY21</td>
<td>FY22</td>
<td>FY20</td>
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We forecast 15% sales growth compared to FY20 due to a recovery in demand. We expect non–hardware sales to recover to more than 90% of FY19 levels.

We expect 2% growth over FY21. Printing by centralized reprographic department will decline, but overall sales will grow due to non–hardware growth in the HPP field.

We expect 10% growth over FY20. We also anticipate higher sales in the HPP field and an effect from new products in the MPP field.

We expect 13% growth over FY21. In addition to a recovery in existing fields, we expect sales to expand at a faster pace in the HPP field.

In addition to a recovery in demand for B2 digital machines in FY21, we expect sales of non–hardware to increase 20% over FY20 due to an increase in MIF.

Sales of non–hard will pick up due to an increase in MIF. We expect 60% growth compared to FY20.

Although we expect demand to fall about 40% compared to FY19, we forecast 30% growth compared to FY20.

We expect sales to grow 55% over FY20. We will maintain our share at No. 2 with B2 digital printers and No. 1 with label printers.
We see the changes in printing market during the COVID-19 outbreak as an opportunity to increase digital printing; we will further differentiate the strengths we have built up and expand the scale of the digital printing market and our share in it.

### Changes in use of printing

1. Ramp-up marketing activities with individual consumer behavior in mind
2. Changes to print distribution methods in the e-commerce age
3. Shift even more from “printing to convey mass information” to “printing to strengthen and enrich ties between people”; individualization, regionalization, stratification, direct links to events, etc.

### Changes in buying patterns of printing

1. Implement and decide on situations requiring printing, such as events and promotions, without adequate preparation periods; the printing preparations from the starting point should be shortened
2. Aim to maximize ROI on limited advertising and sales promotion costs, put greater priority on effect of media, including printing
3. Increase distributed delivery at the necessary sites

### Shift away from sales previously emphasizing company facilities and thoroughly respond to customer requests

1. Clarify effect of printing and propose effective printing
2. Establish order process using non-face-to-face marketing
3. Strengthen cost competitiveness by streamlining the overall print production process
4. Reform supply chain to reduce waste of printing supplies

The above initiatives will be achieved with DX by printing companies.

### Our providing value

**Differentiating points**

1. Make printing effects visible (**emotional evaluation**: make what is and isn’t effective visible)
2. **Be one step ahead of other companies:** provide automation, laborsaving, skill-less, and remote operations; enable printing that provides “what is needed, when and where it is needed,” and in the needed amount,” and reform the printing supply chain; minimize the waste created, transport and personal involvement in the current supply chain.
3. Streamline the production process in conjunction with digital printers and digital post-processing machines, which have been expanded by application; achieve mass customization

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Emphasize the productive and print quality of our PP/IP machines through the pursuit of automation, labor-saving, and skill-less operation, and expand equipment sales and PV.

Expand targets from small- and medium-sized CP/PFP/CRD market to growth markets such as mid-sized and large CP/label and packages.

Improve processes and achieve remote and distributed printing by supporting customers’ DX transition, and further expand PV by helping them expand their businesses.
Offering Value “Konica Minolta’s Implementation Methods”
(Our unique value that gives it an edge over competitors)

Our unique points
- Simple color matching through easy-to-understand UI and guidance
- Preparation of printer profile inline with IQ501 collaboration, color verification, automatic color matching to original print without color measurement patch

Our unique points
- Automatically recommend “paper type x basis weight” as the optimal setting with inline sensor’s detected results, regardless the paper is known or unknown
- No mistakes in selecting paper because it is inline

Media sensor
Automatic recommendation of optimal settings for type of paper

Ongoing reinforcement of IQ501
- Gen.4: Strengthen VDP inspections + match color to original print
- Gen.3: Inspections for striations and circle-shaped discoloration + VDP inspection
- Gen.2: Inspections for smudges
- Gen.1: Front-to-back register + controlling color fluctuation

Integrated color management
Simple color matching and verification
AccurioPro
ColorManager Suite
Comprehensive service
Professional service
Color measurement, maintenance IQ501

Direct link

Remote service
Remote maintenance of collected data use

Problems with color
- Color matching is difficult
- Color conditions cannot be easily seen
- Color fluctuations make it impossible to maintain quality
- Not sure how to deal with color irregularities

Problems other than color
- Takes time to register front-to-back
- Inspections take time
- Optimal settings for new paper are cumbersome
- Backtracking in process due to errors and wasted paper
Examples of how Customer is Using B2 Digital Printer (AccurioJet KM–1)

Utilized in wide range of printing applications, with color reproducibility and stable reproducibility exceeding that for offset printing

Photograph collections and museum catalogs with high image quality

Faithful reproduction of the detail demanded by photographers and artists; excellent color reproduction; support for new printing model in which small numbers can be produced repeatedly

Unkei

Direct mail and Web to Print

High accuracy in aligning front and back reduces time spent on post-processing. Stable color reproduction in subsequent printings.

Packaging printing and commemorative photographs

Can be printed on thick paper and paper with surfaces.
Customer Value for Industrial Printing (Labels): Labor–saving, Automated, Skill–less

Meeting growing demand for labels with shift to automated, labor–saving, and skill–less process with digital label printing

Customer issues

Label printing demand is solid, but adequate operations cannot be maintained because of efforts to prevent COVID-19 infections at production sites and cooperating companies.

Konica Minolta’s value

- Avoids three Cs thanks to reduced labor and automation
  ⇒ **Ongoing operations with fewer people**
- Train operators in a short time thanks to skill–less operations
  ⇒ **Distribute employee load with a rotating system**
- Reinforce capacity with fast installation, education and production
  ⇒ **Respond to increased demand within one week**
- Maintain production at own company due to plate–less* operations
  ⇒ **Address shutdowns of cooperating companies that prepare plates**

*In analog printing, a plate for each color must be prepared in order to print, but with digital printing, this plate is not needed and the process becomes plate–less.

Beaujolais from two years ago;
Labels for 400,000 bottles were printed with different colors; all were unique labels.
This is an example of mass customization, with labels printed on an integrated line that covers printing, decoration and post–processing.

Three Cs: Crowded places / Close–contact settings / Confined and enclosed spaces
Strategic KPI for FY22

1. Market share for HPP machines

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<th>FY20</th>
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<th>FY22</th>
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<tbody>
<tr>
<td>HPP market share</td>
<td>30%</td>
<td>35%</td>
<td>40%</td>
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2. Sales growth for non-hard sales compared to previous year

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<tr>
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<tbody>
<tr>
<td>PP</td>
<td>+23%</td>
<td>+2%</td>
</tr>
<tr>
<td>IP</td>
<td>+20%</td>
<td>+35%</td>
</tr>
</tbody>
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We expect NH growth exceeding 5% annualized for PP/IP in total from FY23.