

Digital Workplace Business



Market Environment Awareness

Opportunities

- In the field of IT management services, while companies are shifting to the cloud, there is also a deep-rooted need for on-premises strengths, so the opportunity to provide managed services for both cloud and on-premises will continue in the future.
- In the field of operation optimizing services, in addition to market growth, there is an increase in demand for DX promotion from companies and local governments aiming to improve business efficiency. The need for digital workflow solutions to strengthen information security, optimize workflows related to office documents, and solve problems specific to industries and businesses that respond to regionality, as well as the need to digitize paper documents due to legal amendments, etc., have increased.
- Further expansion of demand for MFPs in emerging markets such as China and India, and the shift from monochrome MFPs to color MFPs.

Risk

- Reduced scope for shifting from monochrome MFPs to color MFPs in developed markets, and decreased office printing due to the establishment of diverse working styles such as working from home.

Market growth rate

MFPs	Hardware	-1%
	Non-hardware	-4%
Operation optimizing Services	ECM *1	5%
	ERP *2	10%

* Konica Minolta estimates

*1 ECM: Enterprise Content Management

*2 ERP: Enterprise Resources Planning

Review of the previous Medium-term Business Plan

In the office business, we aimed to recover to pre-COVID-19 profit levels. However, on the demand side, print volume decreased due to the progress of work style transformation as an external factor. On the supply side, in addition to external factors such as a shortage of materials including semiconductors, soaring logistics costs, and lockdowns due to the COVID-19 pandemic, internal factors such as a shortage of toner supply due to explosions at the toner plant had a significant impact on sales and profits. On the other hand, we were able to reduce the break-even point through the control of selling, general and administrative expenses and structural reform, and we were able to build a business structure that can generate profits even if the sales scale shrinks.

In the DW-DX business, we aimed to make a profit by increasing sales of managed IT services and Workplace Hubs, and reducing selling, general and administrative expenses by improving development efficiency. However, due to the rapid shift to cloud services, sales of the on-premises Workplace Hub were lower than expected, while the reduction of selling, general and administrative expenses and structural reform did not proceed as expected due to soaring labor costs.

KPIs set in the previous Medium-term Business Plan and results

	FY2022 Targets	FY2022 Results
MRR* growth rate	+15% or more	+25%
Customer retention	+2pt	-3 pt
Service factory deployed countries	25	11

* MRR: Monthly Recurring Revenue

Strategy in the new Medium-term Business Plan

Basic Strategy

The office business is positioned as a maintaining profit business, and we will promote cross-selling solutions and the transition to a fixed-price system for consumables in response to the risk of a decrease in print volume due to changes in people's work styles.

In addition, we will establish a structure that can generate profits by providing a stable supply of products by responding quickly to changes in the international situation.

The DW-DX business is positioned as a direction-changing

business. As well as clarifying and implementing quarterly goals, in some cases, we will organize the business on the two axes of region and service line, aiming for a profit that could not be achieved in the previous Medium-term Business Plan.

Office

In terms of production and procurement, our top priorities are improving our ability to respond to the external environment and fostering and ensuring a safety culture, and we will thoroughly implement cost reduction activities for parts procurement that increased in cost during the previous Medium-term Business Plan. In addition, by further combining our frontline capabilities and digital manufacturing, we will achieve stable quality and stable supply of products (see page 39 or details). Further, we will promote waste reduction and minimization of resource use through resource circulation-oriented business development, and we will expand business opportunities by complying with strict European environmental standards for bidding.

On the service side, by strengthening the functions of remote services and self-maintenance, we will shift to a service operation that maintains the operation of MFPs without requiring

customer visits. In addition, we will further improve reliability and reduce service costs by monitoring the condition of MFP main units and predicting and avoiding failures.

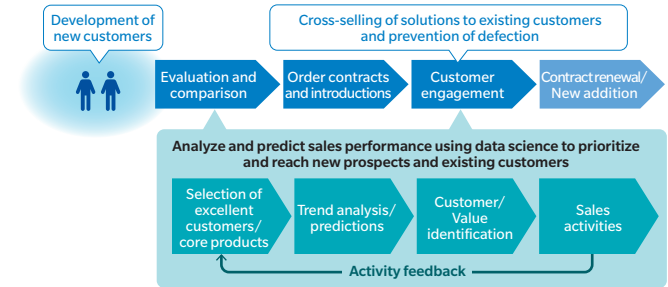
On the sales side, we will expand package sales of solutions in addition to non-hardware sales through a flat-rate program "One Rate" that does not depend on print volume fluctuations. In addition, we will increase the productivity of sales personnel and

promote more efficient sales activities by narrowing down high priority potential customers using AI (High Potential Prospects).

Strategic KPI

	FY2022 Results	FY 2025 Targets
US One Rate MIF rate	22%	30%
Remote services execution rate	16%	35%

The High Potential Prospect Concept



DW-DX

IT management services

Increase profitability by delivering IT management services while reducing costs for specific customers with on-premises needs.

Work efficiency services

• Horizontal market ^{*1}: We will expand the system integration model and packaging approach for sales companies that maintain high profits horizontally to countries around the world to improve service productivity and sales productivity. In addition, we will conduct cross-selling of products based on document management services to customers of MFPs and propose appealing high-value-added services to expand sales and establish a stable foundation as a highly profitable business.

• Vertical market ^{*2}: We will acquire new sources of profit by capturing customer needs specific to each region's industry and business category, and developing our own businesses that continuously and rapidly update the value provided by AI and data utilization.

^{*1} Horizontal market: Markets that are not specialized for industries, such as solutions for common operations regardless of industry

^{*2} Vertical market: Markets that are specialized for industry and business category (for example, law firms or government agencies are assumed)

Strategic KPI

	FY2022 Results	FY2025 Targets
Orders per person	\$61K/month	+2%
Gross profit margin of Operation optimizing service	36%	+1 pt