

# Industry Business Foundation and Toward Growth

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Giving Shape to Ideas

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My name is Hitoshi Kamezawa, and I am in charge of the four strengthening areas for Industry and the Industry Business Development Center. Today I would like to talk about the strengths and success factors of the foundation of Industry businesses and what we will focus on and allocate for future growth.



First of all, we define Industry business, which we will explain today, as a business area with revenue of ¥123 billion and an operating profit margin of about 20%, consisting of four businesses that are positioned as our strengthening areas for Industry .

# Strengths and Success Factors in Strengthening areas for Industry

- Build genre-top products in manufacturing supply chains based on core technology inherited from the founding businesses
- Success factors include medium-scale stable markets, high market share, and high profit(above 20%)

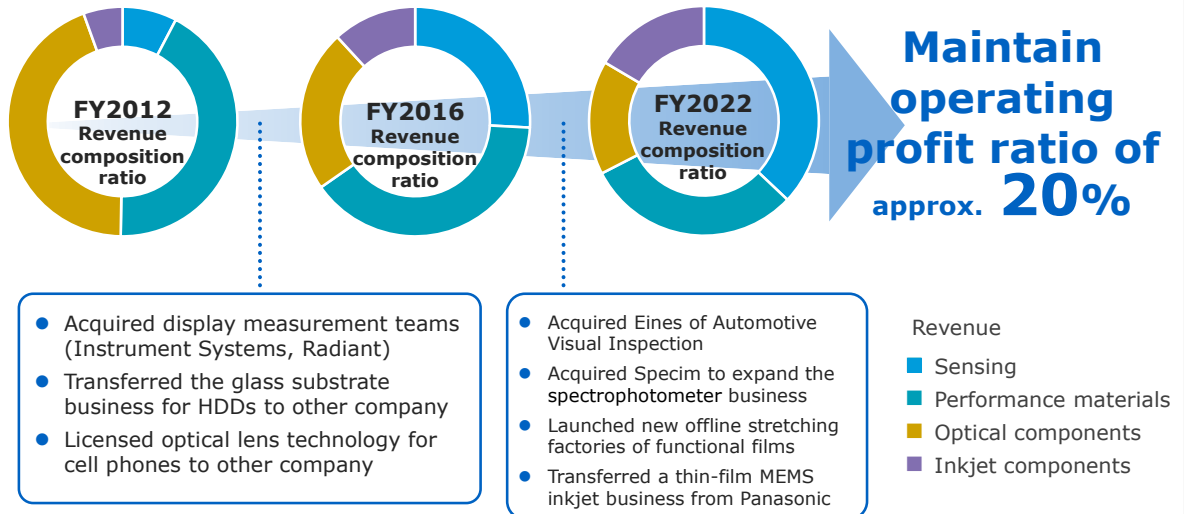


	Performance materials	Sensing	IJ components
<b>Genre-top domains</b>	<ul style="list-style-type: none"> <li>● Phase difference film</li> <li>● Protective TAC film for small- and medium-size displays</li> </ul>	<ul style="list-style-type: none"> <li>● Light source color measurement (for displays)</li> </ul>	<ul style="list-style-type: none"> <li>● IJ printheads for industrial applications</li> </ul>
<b>Customer/partner</b>	<ul style="list-style-type: none"> <li>• Polarizer manufacturers</li> <li>• Display panel manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Display panel manufacturers</li> <li>• ICT device brand owners</li> <li>• EMS*</li> <li>• Major mobility manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturing equipment manufacturers</li> <li>• Display panel manufacturers</li> <li>• ICT device brand owners</li> </ul>

\*Electronics manufacturing services (EMS) companies

In these business areas, we have been building genre-top products based on the precision technology, material synthesis, and processing technology inherited from the founding businesses, as well as frontline capabilities that make close contact to our customers possible.

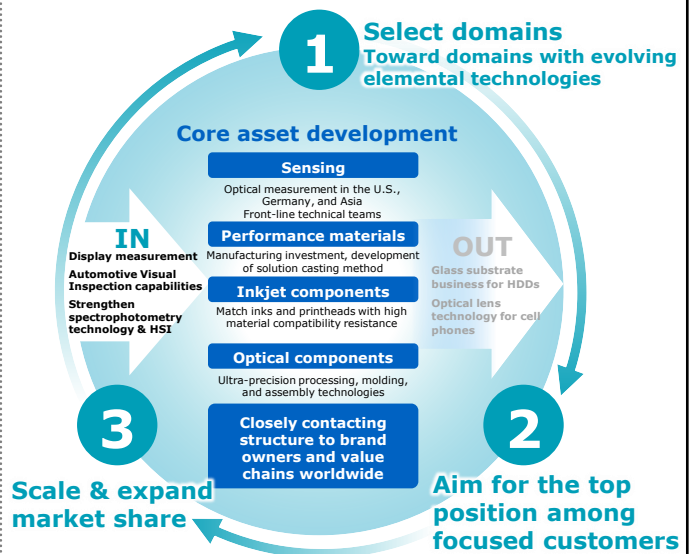
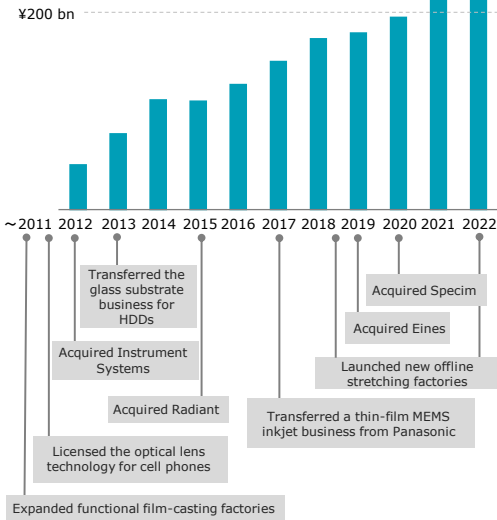
If we unravel what has been done so far, we can identify the following factors as key to success: the choice of medium-scale stable markets with robust demand and a customer base that can maintain stable profitability; having the capability to sustain a high market share through multifaceted value provision such as support, in addition to technology, while avoiding a so-called red ocean; and maintaining profitability by focusing on the market where the number of customers and competitors is not too high.



We have been changing our focus areas in the Industry business. In 2012, the ratio of the optical components and performance materials was high, but subsequently, the sensing business, which detected changes in displays due to innovations in mobile devices, formed a global team for display measurement through the acquisition of two companies. In addition, in the optical components business, by transferring the glass substrate business for HDDs and licensing optical lens technology for cell phones to other companies for a reassessment, the sales ratio underwent a significant change in 2016.

Subsequently, we have invested in seeds for future growth through acquisitions, functional film equipment investments, and the steady expansion of the inkjet business, incorporating thin-film MEMS inkjet technology, and our 2022 structure is more balanced, maintaining a operating profit ratio of 20%. We will continue to monitor changes in society and target markets and aim to sustain high profitability.

## Cumulative FCF in Strengthening areas for Industry



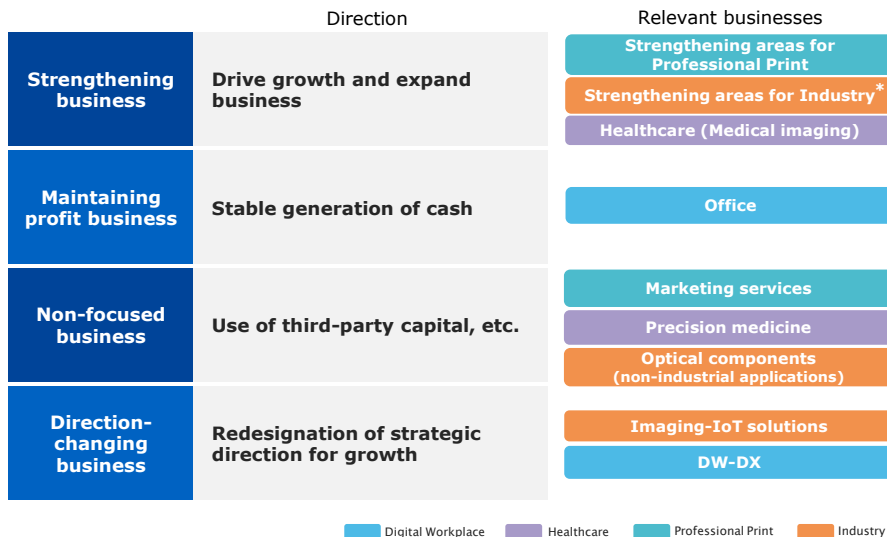
We are using 2012 as the starting point in order to talk about FCF over a 10-year period.

Every year we have consistently generated operating cash flow, exceeding ¥200 billion in cumulative FCF over 10 years while executing acquisitions, transfers, and equipment investments.

Each of the four businesses has its own characteristics and has nurtured its core assets, but when we rethink the common winning pattern that will lead to the future, we can find that first, we must select an area that is not a red ocean but one where elemental technologies are evolving; second, we must identify customers to focus our resources on and thoroughly refine them to gain customer trust and aim for the top position; third, we must expand our customer base or take on industry standards to scale and gain market share.

In deciding new investment areas and executing it in the future, we will thoroughly examine whether this pattern is effective, whether it is possible to acquire missing assets, and then connect them to returns.

# Role of Strengthening areas for Industry in Medium-term Business Plan



\*Strengthening areas for Industry: performance materials, IJ components, sensing, and optical components (industrial applications)

Once again in our Medium-term Business Plan, we have positioned Industry Business as a strengthening business, and in the four businesses that currently comprise this business, we have also positioned a portion of optical components as a non-focused business and will consider and implement options such as the use of third-party capital.

## Be the first call to be approached as a precision solution provider in the upper to midstream of manufacturing supply chains

### Industry Business so far

- Built businesses with success factors including medium-scale stable markets, high market share, and high profit
- Business operation based on "Products"

Sensing

Performance materials

Optical components

Inkjet components

### Industry Business from now

- Enter and strengthen domains that meet success factors and lead the global economy in the future
- Shift from a traditional product-based to customer-based organization



Display



Semiconductor manufacturing



Mobility

2023



Prioritize allocation of management capitals (personnel and cash) to focused areas for growth

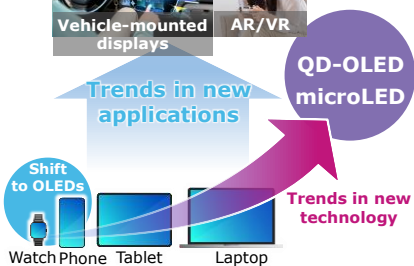
Our Industry Business aims to be the first to be called upon as a precision solution provider in the upper to midstream of manufacturing supply chains. We must shift from business based on each business and product to a customer and industry base by defining focus areas, and prioritizing the allocation of management capital to speed up the process.

## Display

- Advancing application of display technologies to AR/VR and other new devices
- Accelerated development of OLED and next-gen display technologies

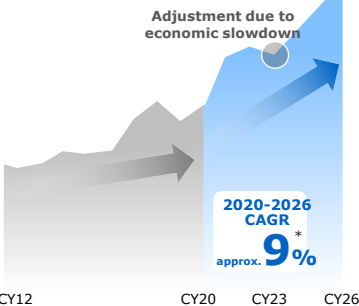


Vehicle-mounted displays AR/VR



## Semiconductor manufacturing

- Rapidly growing semiconductor industry as digitalization accelerates
- Fluctuations in the supply-demand balance due to changes in supply chains



\*Estimated by Konica Minolta

## Mobility

- Improving production efficiency is an eternal issue in the automotive industry.
- CASE revolutionizes the entire industry



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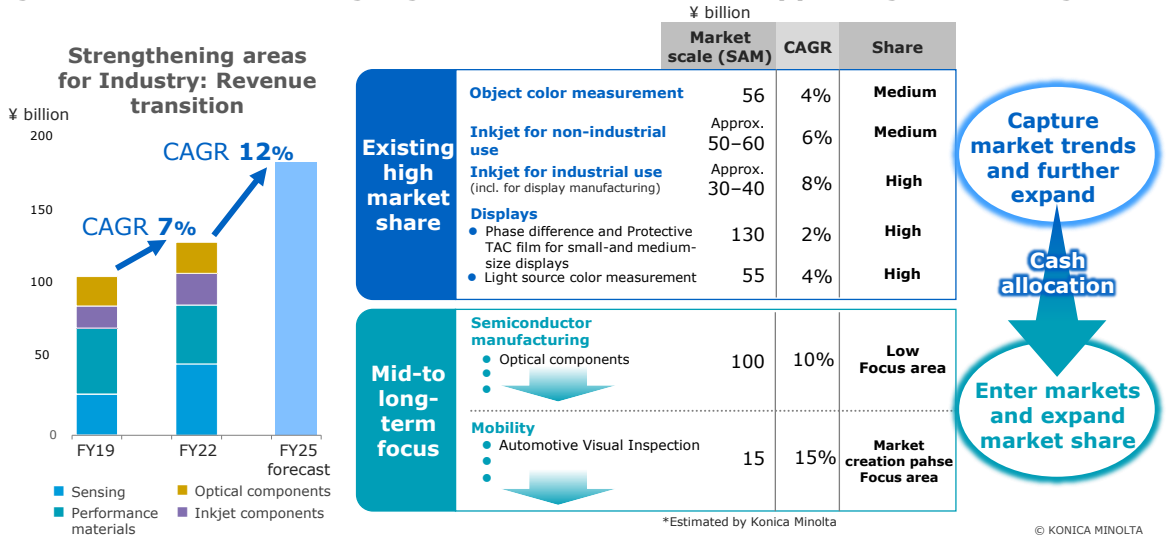
Next, I would like to talk about the purpose of our selection of the three areas. In the displays area, we have been providing measuring instruments for AR/VR headsets from before, and we expect demand for production applications to increase, as more and more companies have entered the market recently. In addition, next-generation display technologies such as QD-OLED and microLED are expected to be adopted in accordance with customer applications, and we expect measurement opportunities to continue in response to changing specifications and characteristics. We will also talk about the display film opportunity in more detail in the next session today.

Semiconductor manufacturing has medium to long-term growth potential and a tendency to focus on the high-end area. However, rather than rushing into that focus on the high-end area, we will target areas that experience fluctuations occur due to factors such as supply and demand changes. We would like you to understand that the optical components business for semiconductor manufacturing equipment that we are introducing today has also been selected in accordance with this aim.

In the area of mobility, we will contribute through automotive visual inspection systems in the ongoing efforts to improve production efficiency. Of course, we will continue to target opportunities that integrate and evolve our technology, considering the changes in mobility that may occur in the CASE era.



Accelerating mid-to-long-term growth by investing in focus areas using cash generated from existing high market share areas supporting mid-term growth

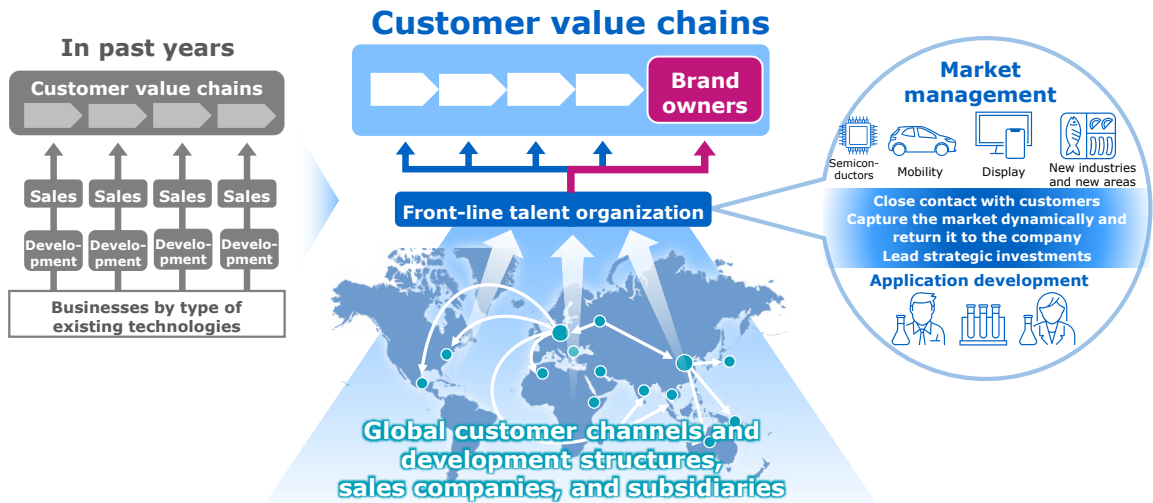


The Medium-term Business Plan for Industry Business is broadly divided into two categories: existing high market share areas and medium to long-term focus areas.

The existing high market share areas are divided into four major areas, including non-display areas. As we are in a position to engage with customers and capture changes in their requirements, not just new devices from the customers but also changing needs such as reduced environmental impact are anticipated, so we will strive to secure profitability while expanding in line with market trends and make it a source of funds for growth in the medium to long term.

In medium to long-term focus areas, we will first aim to achieve sales close to some three-digit billion yen during the period covered by the Medium-term Business Plan, mainly in the optical components business for semiconductor manufacturing, which we will introduce later today, and the automotive visual inspection systems business, and we will consider entering other growth areas where winning patterns can be applied.

Drive medium- to long-term growth through business development across Industry Businesses centered on customers



We underwent an organizational restructuring this April, focusing on customer and industrial axes.

The front-line talents are a mix of marketing and technical human capitals, and we aim to approach the essence of customer issues, not just delivering a single business solution to customers but proposing value that transcends each business.

We are accelerating the execution of "Go To Brand" by utilizing global customer engagement, development systems, sales companies, and other assets of our subsidiaries, and by moving beyond the business through a new organization.

## Progress

### Accelerated proposals to ICT brand owners by utilizing film and inkjet technologies

#### Action

Offered value across industry businesses to areas with high market shares for measuring instruments

#### Change 1

Progress was made in customizing functional films for ICT, and led to proposals for new device development that the industry faces

#### Change 2

Clues to material coating by inkjet and glass molding technology of optical component unit into practical use also.

## Next aim

### Accelerating proposals to brand owners of mobility where we have limited businesses such as measurement and vehicle-mounted optical systems

#### Action

Start to offer products exceeding the existing business scope by utilizing global sales sites and customer channels of Eines

As an example of business development across Industry Businesses, for ICT brand owners that we have been mainly selling measuring instruments to, we have accelerated proposals using film and inkjet technologies, and have made progress in customization through functional films, while continuing to make proposals in response to changing needs such as environmentally friendly materials.

Although we are still in the early stages of inkjet and glass molding technologies for our optical business, we are confident that the new structure will lead to opportunities where our multiple technologies and human capitals can evolve. The next aim is in the area of mobility, where we are accelerating proposals to mobility brand owners and Tier 1 and 2 manufacturers, not limited to measuring instruments and vehicle-mounted optical systems.

We have started to offer proposals that exceed the scope of existing products by leveraging our European sales sites and the customer engagement of Eines, which is responsible for automotive visual inspection systems.

As explained above, we are aiming for strong growth and profitability, and have described the success factors in Industry Business, winning patterns, medium to long-term aims, shift to a customer focus, and changes in the organizational structure.



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**150**

**YEARS**

Thank you very much for your attention.