



# Strategy for Digital Workplace Business

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## Customers first

We work closely with customers to resolve their issues together under the concept of an Intelligent Connected Workplace

Contributing to the solution of customers' issues on an ongoing basis to achieve "customer success"

Support customers' "DX and growth" by proposing the optimal use of digital technology

## Balance CoE (\*) and innovation at a high level

Propose the optimal solutions customized to customer needs and provide seamless one-stop services for MFP and ITS to achieve DX for customers

### Office

- Provide thorough value proposals utilizing the full lineup of the bizhub i-Series
- Reinforce account management using data-based customer analysis and a scientific approach
- Accelerate the MRR\* business using One Rate\* and cross-sell IT services

### IT services

- Work to expand the services in infrastructure segment and strengthen the approach tailored to operational processes in specific industries
- In addition to providing IoT devices, including MFP, which is our strength, shift to providing data-based services built around a hybrid cloud platform

# Restore FY2021 Operating Profit of Office Business to FY2018 Level

## <Sales assumptions>

- Work style changes become established, FY2021 non-hard sales will reach 90% of FY2019 pre-COVID-19 level.
- With MFPs replacement cycle lengthened, new installation opportunities reduced, market for used equipment expanded, and other such factors due to reduced office printing opportunities, FY2021 hardware sales will reach 92% of FY2019 pre-COVID-19 level.

**¥32.0 billion profit increase breakdown**

(¥ billion)	FY2020	FY2021	Fixed costs	Structural reform costs peel away	Development costs	Sales increase
Sales	390.0	430.0				
Gross profit	187.5 48.0%	207.5 48.2%	-6.0	Service & production		14.5
SG&A expenses			-9.0	Marketing, administrative and indirect expenses	-2.5	6.5
Other expenses				-6.5		
Operating profit	8.0	40.0	15.0	6.5	2.5	8.0

(¥7.5 billion of this is cost reduction effect)

When foreign exchange impact is excluded, the figures are at the FY2018 level

# Strengthen Earning Power of Office Business



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			Measures	FY21 KPI targets	
Business resources			Shift employees to ITS/WPH, other businesses within the Group (measuring instruments, imaging IoT, performance materials), shift human capital to front-line in DX support services for local governments and SMEs	10% reduction in employees from Office Business (of which 15% are reassigned within the Group)	
By function	Sales	Reforms to sales process	Significantly improve sales productivity by using two sales styles depending on the type of customer: closing deals with non-face-to-face inside sales and face-to-face cross-selling deals	Hardware sales per sales employee	1.1 times
			Reforms to sales process through scientific approach: Raise the sales close rate and spread horizontally through efficient targeting using the HPP (High Potential Prospect) approach	Number of countries in which business is deployed	Six countries
			Expand service subscription model and provide new service value	One rate subscription contract rate (subscription rate for new contracts/country)	60% (US, 1-by-1 transaction basis)
		Service productivity	Raise service productivity by reducing number of on-site visits by expanding predictive maintenance function, extending life of parts and consumables, and increasing MIF* capable of remote updates on firmware	Non-hardware sales per service employee	1.2 times
	Development	Cuts to development costs	Reduce development costs by completing new products in i-Series and carefully selecting and narrowing down development themes		
Production	Cuts to fixed production costs	Reductions to fixed costs by improving production efficiency through collaboration of development and manufacturing departments			
Themes under consideration			Pursue the possibility of new cost-cutting opportunities by cooperating with outside parties		



Decline in breakeven point from 95% in FY20 to 82% in FY21

## Integrate ITS and WPH and consolidate in the following three service lines:

- 1

**MIT\*/WPH**  
(infrastructure)

In addition to achieving sales growth by strengthening and expanding the services, raising service quality, and reducing the customer churn rate using scientific methods, we will work to raise profitability by focusing on improvements in productivity, particularly in services.
- 2

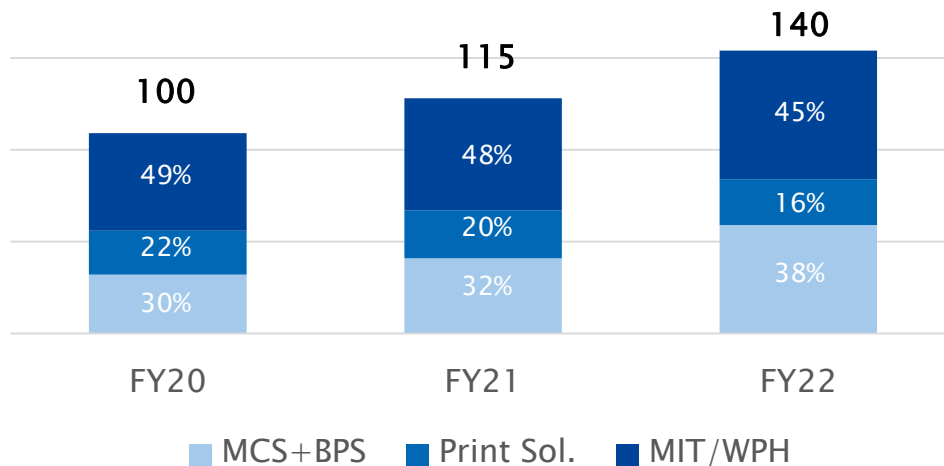
**Print Solutions**

Reduce operating costs for customers by expanding cloud compatibility of the each service in the print work flow, and compensate for reduction in PV by making it easy to securely print documents saved on the public cloud
- 3

**MCS + BPS\***  
(Business process)

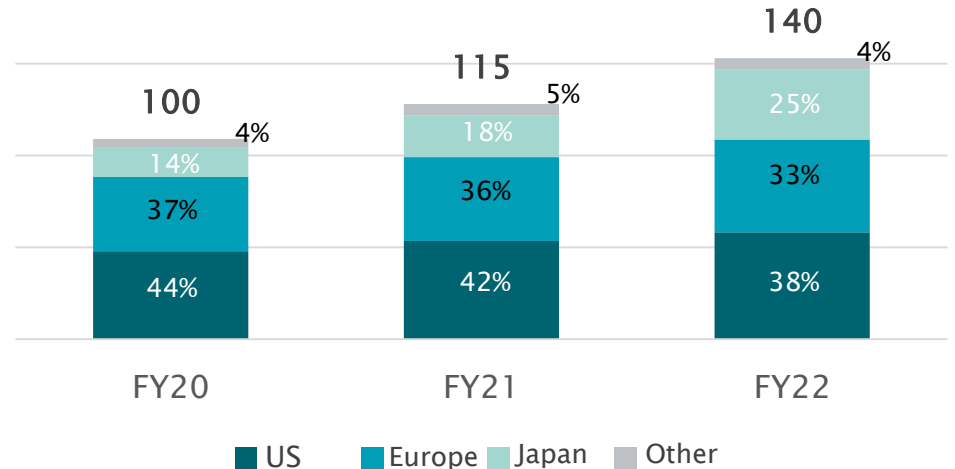
Strengthen approaches tailored to functional and operational categories; provide services that combine ECM\*, backbone systems, CRM\*, and document-related work flow (use of AI OCR\* and RPA\*) and position these as growth drivers for business expansion

Comparison of sales composition by service line | compared to FY20\* (Total)



\*Total scale of sales in each fiscal year assuming sales in FY20 are 100.

Comparison of sales composition by region | compared to FY20\* (Total)



\*Total scale of sales in each fiscal year assuming sales in FY20 are 100.

# Workplace Hub and IT Services: Expand Profits



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		Primary measures	FY21	FY22
Expanding sales	①	<p><b>Expand sales of Workplace Hub:</b> Strengthen capability for variety, reinforce cloud compatibility, accelerate development of packages applications by introducing second-generation systems</p> <p><b>Enhance portfolio:</b> Expand portfolio with cloud compatibility and security services, etc.</p>	2.5	3.5
	②	<b>Introduce SaaS to print solutions</b>		
	③	<p><b>Local governments (Japan), government-affiliated organizations (US and Europe):</b> Start with digitalization and standardization of documents and offer solutions to standardize business processes, including use of AI OCR and RPA</p> <p><b>US healthcare</b> In order to raise patient satisfaction while at the same time lowering healthcare costs, expand from HIPAA*-compliant MIT services that has been the focus of Managed IT thus far and ramp up entry to information linkage across hospitals' back-end systems as well as the Value Based Care* and tele-health fields, etc.</p>		
		<p><b>Enhance portfolio (Konica Minolta's IP):</b> Develop IP that agilely utilizes Konica Minolta's strengths on the cloud; utilize engineering skills in all regions; offer unique services to support customers' DX and secure high profitability</p>		
Improving cost of sales	Overall	<p><b>Service factory*:</b> Improve gross profit margin by improving quality of services, standardizing and automating services, improving their efficiency and accelerating global expansion</p>	1.5	2.5
	③	Recover upfront investments by launching government and local government business, and reduce cost of sales by expanding Konica Minolta's IP sales		
Investment	a	Strengthen sales and engineering organization (increase sales + service employees, other)	-2.0	-2.0
	b	Development investment + infrastructure investment		
	c	Terminate development of dedicated OS for Workplace Hub	2.0	-
		<b>Total [¥ billion]</b>	<b>4.0</b>	<b>4.0</b>

## Employee plans

- MFP sales/service employees who can be shifted to the IT Service/Workplace Business will be reassigned. Solution consultants, engineers and others who have specific skills to work on service lines will be recruited from outside the company as necessary.

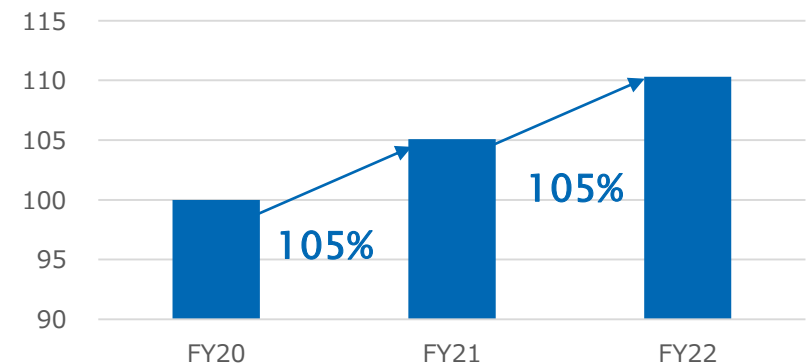
## Investments in product and service development

- The headquarters development division and the local DevOps\* organizations in each region will use Konica Minolta's IP to agilely develop business processes and document related products.
- We will continue to focus on making MFP related solutions compatible with the cloud and raising Konica Minolta's IP rate.

## Infrastructure investment

- We will aggressively invest in infrastructure, including backbone systems, to realize an e-commerce/subscription model that supports product plans and sales strategies and more efficient sales service operations.

Indicators for WW ITS sales/service employee plans (setting FY20 as 100)



## Further accelerate DX business by introducing second-generation systems

### Respond to customers' DX needs

#### Strengthen application services

Expand deployment as a platform for Managed Application Services (MAS) to propose applications suited to the industry and operations to medium-sized customers in addition to MIT

#### Introduce second generation

Introduce second-generation systems (Windows OS adoption, optimized architecture) with expanded functions and more flexibility in sales, maintenance and support to meet a wider range of customer needs promptly

#### Expand cloud services

Expand remote services by introducing SaaS to services, shorten time between business talks and adoption, and reduce operating costs for maintenance and functional additions

### Expand partnerships to expand sales channels

- Combine major IT companies' cloud technology, AI engines, BI\* tools and Konica Minolta's frontline skills (F2F customer interaction, device technology), which are its particular strength, and expand them into specific fields such as healthcare and education, alliance building in the SMB business and global operations.
- Make it possible to use applications and cloud services owned by IT dealers, not just the services offered by Konica Minolta, and expand resale channel business
- Expand sales network by strengthening collaboration with major communications companies and IT service partners in key regions





Identify changes in customers' service requests and usage status and support their businesses on an ongoing basis;  
Higher customer satisfaction leads to cross-selling and prevents churn and cancellations (raising retention rate)

## Customer-first business culture

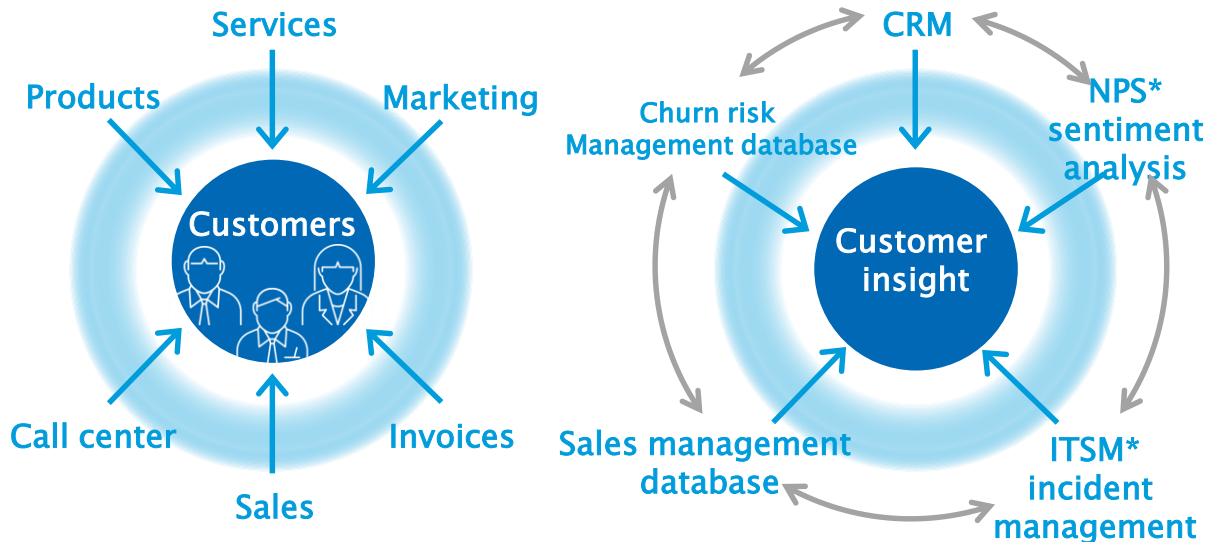
- Strengthen customer engagement and interaction with a focus on lifetime value
- Global management indicators incorporating customer satisfaction and customer churn rate

## Scientific approach based on data

Make customer insights visible through customer analysis utilizing AI/machine learning data and scientific approaches (potential satisfaction, issues and requests for products and services)

## Proactive account management

Proactively propose services to accounts to raise value based on the customer insights that are visualized



## Targeted outcomes

- Customer retention rate: Improved by 0.5–1.0% every year
- Customer unit price: Annual increase of more than 3%

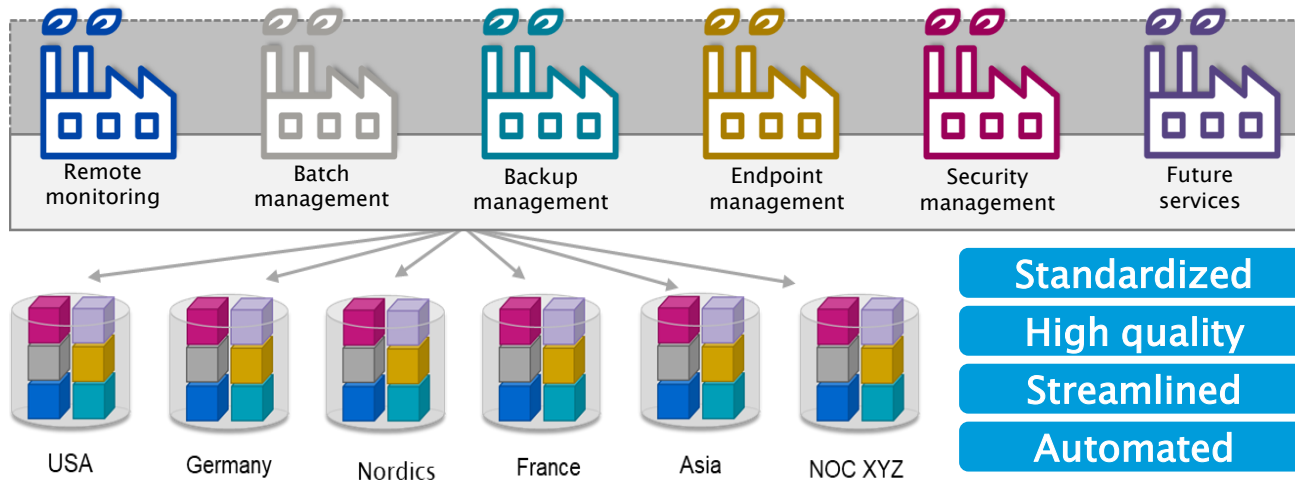
## Schedule

FY20	FY21	FY22
North America		
Europe/Japan		
		Asia

Introduce a model that is standardized, consolidated, streamlined and automated across countries and regions as a CoE (\*) for services

## Service factory

Distribute standardized IT service around the world by integrating IT operation services, such as process tools for each country



### Examples of service catalog

Starting from remote monitoring and management fields and expanding into backup and security services

Server monitoring	Batch management	Endpoint security
Storage monitoring	Backup monitoring	Firewall management
Network monitoring	Backup recovery	E-mail protection
Cloud monitoring	Security monitoring	Diagnosis of vulnerabilities

## Targeted outcomes

- Cost reductions in operating a global system
  - Outsourcing operations
  - Avoiding duplicate operations in individual countries
  - Benefit from mass merits
  - Streamlined and automated operations
- Expand sales by offering a plentiful service catalog
  - Curb customer churns by providing high-quality services
  - Cross-sell with service menu
  - Expand countries in which services are offered and acquire cross-border projects

## Expansion plans

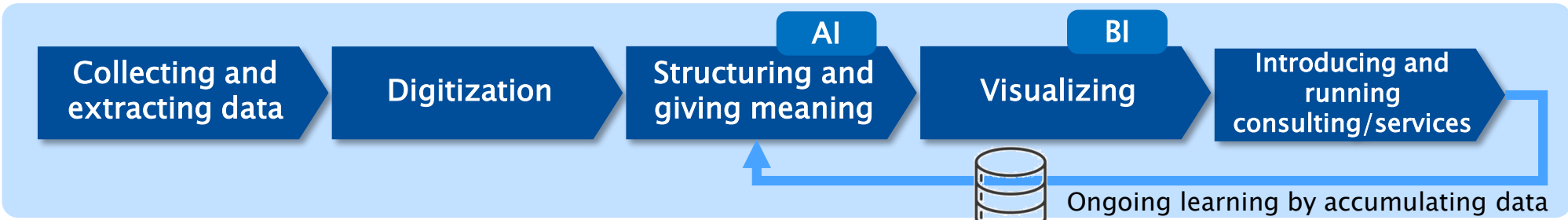
- Expansion in North America is already complete
- Expansion in Europe is currently underway

FY20	FY21	FY22
North America		
	Europe	
		Asia

(\*) CoE (Center of Excellence): A cross-sector group of experts

# Evolution to Consulting Services Fully Utilizing Data (in anticipation of period from FY23)

- Make proposals to expand customer value with the knowledge acquired via data analysis
- Use AI to structure and visualize the analysis of document work flow and streamlining of operations to pursue DX, and make consulting proposals



- |  |  |   |  |   |
|--|--|---|--|---|
| <ul style="list-style-type: none"> <li>● Printed material, ledgers</li> <li>● Graphics, photographs</li> <li>● PC data</li> <li>● Call center records</li> </ul> | <ul style="list-style-type: none"> <li>● MFP (scans)</li> <li>● Camera</li> <li>● AI OCR</li> <li>● Voice recognition</li> </ul> | <ul style="list-style-type: none"> <li>● Natural language processing</li> <li>● Context comprehension, sentiment analysis</li> <li>● Workflow analysis</li> </ul> | <ul style="list-style-type: none"> <li>● Information dashboard</li> <li>● Statistical analysis (correlation analysis, principal component analysis, etc.)</li> </ul> | <ul style="list-style-type: none"> <li>● Improvement proposals</li> <li>● Work flow automation using RPA</li> <li>● Operation management and document management systems</li> </ul> |
|--|--|---|--|---|

## Examples of DX for Japanese local governments

- |  |  |  |  |  |
|--|--|--|--|--|
| <ul style="list-style-type: none"> <li>● Surveys of work load at all government offices</li> <li>● Data on business succession documents</li> <li>● Examples of successes</li> </ul> | <ul style="list-style-type: none"> <li>● OCR for paper documents</li> <li>● Compilation of business flow and log data</li> </ul> | <ul style="list-style-type: none"> <li>● Identification of problems and analysis of causes</li> <li>● Analysis of differences in business flow between local governments</li> <li>● Outcome measurement</li> </ul> | <ul style="list-style-type: none"> <li>● Visualization of problems</li> <li>● Preparation of solutions</li> <li>● Calculation of expected outcome</li> </ul> | <ul style="list-style-type: none"> <li>● Solutions to firmly establish standardized operations               <ul style="list-style-type: none"> <li>• Operating manuals</li> <li>• Structured e-libraries</li> </ul> </li> <li>● Proposals for automated services, including work flow improvements</li> </ul> |
|--|--|--|--|--|

# Digital Workplace: KPI to Strengthen Earning Power of DX Business



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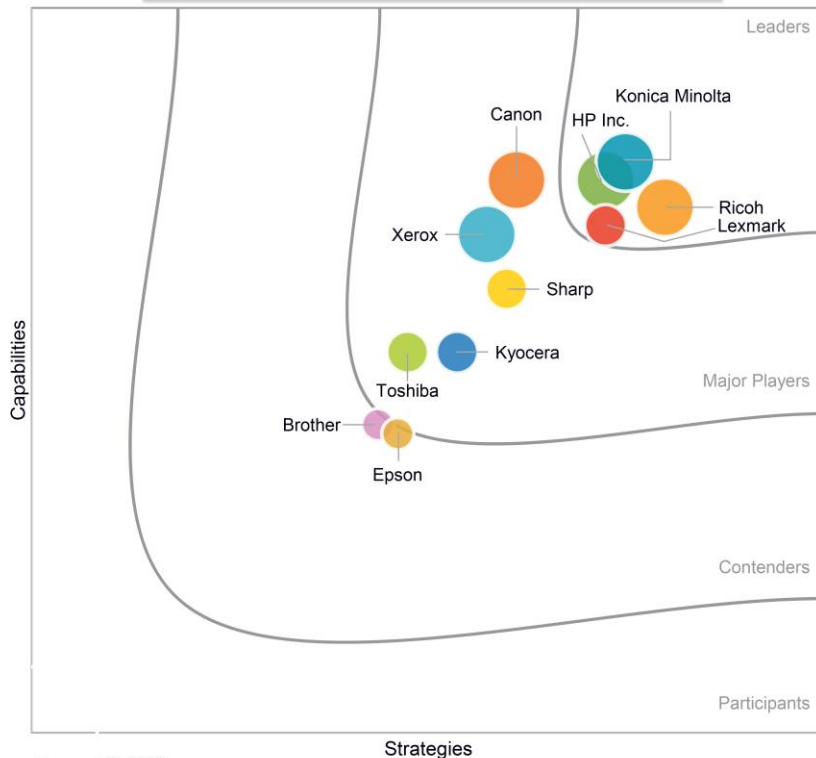
		Measures	KPI	FY21 targets	FY22 targets
Expand sales	1	<p><b>Strengthen portfolio with a focus on infrastructure services</b></p> <p>Expand MRR by expanding portfolios, such as cloud compatibility, expanded sales of second-generation Workplace Hub, security services and other</p> <p><b>Reduce customer churn by pursuing customer success</b></p> <p>Cross-selling, prevent customer churn and cancellation and raise retention rate by improving customer satisfaction</p>	MRR growth rate	More than +15%/year	More than +15%/year
			Customer retention rate	1pt improvement/year	2pt improvement/year
Expand sales (+reduce cost of sales)	3	<p><b>Strengthen process services for specific operations and industries</b></p> <p>Support customer DX focused on document-related work flow aiming to deeply involve into customer base in specific countries and industries</p>	Sales growth rate by industry (Total Contract Value)	More than +15%/year	More than +20%/year
Reduce cost of sales	1	<p><b>Service factory</b></p> <p>Global standardization, streamlining and automation of service operations that can be provided remotely</p>	Number of countries in which service factory is deployed	10 countries	25 countries
		3	<p><b>Expand Konica Minolta's IP sales</b></p> <p>Improve sales ratio for Konica Minolta products</p>	Sales growth rate	More than +15%/year

# Appendix

# Praise for Konica Minolta's Ability to Provide IT Services in US and Europe (90% are Sales in US and Europe)

Konica Minolta is building a system for its future business expansion, using the effect of its acquisitions and mergers over the past 10 years, and has earned high praise in an assessment by IDC, particularly for its ability to deliver services as a leader.

IDC MarketScape: Worldwide Print Transformation, 2020



Source: IDC, 2020

IDC MarketScape vendor analysis model is designed to provide an overview of the competitive fitness of ICT suppliers in a given market. The research methodology utilizes a rigorous scoring methodology based on both qualitative and quantitative criteria that results in a single graphical illustration of each vendor's position within a given market. The Capabilities score measures vendor product, go-to-market and business execution in the short-term. The Strategy score measures alignment of vendor strategies with customer requirements in a 3-5-year timeframe. Vendor market share is represented by the size of the icons.

## Konica Minolta named a worldwide leader by IDC MarketScape for print transformation

In the IDC MarketScape: 'Worldwide Print Transformation 2020 Vendor Assessment' Konica Minolta was named a 'Leader'. The company has pursued an approach to significantly grow its product portfolio and capabilities in IT services. The IDC MarketScape states that "Konica Minolta has successfully executed this plan in targeted areas such as managed IT services, security, voice over IP (VoIP), enterprise content management, business process outsourcing, and vertical specific ERP and CRM solutions". The report notes that "... customers seeking more than just a refresh of their printer/MFP portfolio and more of a vision of the workplace's evolution into the future may want to consider Konica Minolta."

IDC MarketScape assessed that "Konica Minolta believes that technology needs to be human centred, so understanding the motivations, wants, and needs of the worker is essential. The company will focus on the 'why' when implementing new technology and not just the 'how'."

## Issues faced by US healthcare customers and current conditions

- As existing systems age and become more complex, healthcare institutions must **consolidate systems** and **shift to new systems that meet new demands**, such as Value based Care and tele-health, while remaining compliant with HIPAA, in order to lower rising medical costs while at the same time raising patient satisfaction.
- Many operations are still paper-based, and efficiency is also an issue. They need **trustworthy technology partners** who can propose solutions that optimize systems to address these demands and issues and provide appropriate and safe management and support without problems so that these institutions can focus on their main operations after introduction.

## Case study

### Customer issues

- A hospital specializing in infant care adopted the health electronic record (HER) system in their practice, but as a result, they could no longer link to other systems.
- The hospital could not link to admissions, the lab, and document management, so infant information had to be entered manually.
- As a result, operation efficiency worsened and costs increased.

### Resolutions for issues

- With the introduction of All Covered's comprehensive operations and consolidated services, both systems could communicate by using HL7 (Health Level 7).
- ADT (admission, discharge, transfer) information could be received from the hospital's admission system using software especially for the neonatal department.
- Manual work decreased significantly and operation efficiency improved dramatically.

## Issues faced by US government and local governments and current conditions

- Government clients face problems such as the **large number of processes that are still done on paper**, the resulting low productivity, and upgrades for systems that are growing obsolete and are dispersed, which makes them hard to manage.
- As a result of e-Government (measures by the Federal government to digitize government processes), the **requirement that public documents be digitized has increased demand, and from January 2023, state governments will gradually follow suit, sustaining demand in the near term.**
- **Governments face the issues of improving the quality of administrative services, raising efficiency and keeping personnel costs down, while building databases for individual correspondence, safely managing documents and data, and other issues.** (Public document release, permit and licensing services, child support, driver's licenses and license plate registration, etc.)

## Case study

### Customer issues

- The government receives over 200 FOIA (Freedom of Information Act) requests every month, but had no process for handling them, so it was not possible to confirm the status of the requests.
- The officers have to walk to the relevant department to hand out requests.
- Numerous lawsuits have been brought because FOIA requests have not been filed by the deadline, and these have led to fines.

### Resolutions for issues

- The process has been completely digitized using the ECM system.
- A simple process has been established for the applicant while also automatically returning requests with inadequate information to the applicant.
- The requests are automatically distributed digitally to the relevant department.
- The stage of the request can be easily ascertained on a dashboard and the deadlines are strictly observed.



# Examples of Vertical Approach: Analysis of Local Government Operations and Digitization Services in Denmark



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Print data was categorized and made visible so that the local government's operations could be digitized, after which ways to resolve bottlenecks were proposed (currently being tested)

## Background for tests and issues faced by local government

- Roskilde Kommune (a local government with jurisdiction over Roskilde, located in the suburbs of Copenhagen in Denmark)



ROSkilde  
KOMMUNE

- This government wants to move ahead with digitization, but does not know where the specific issues are. It is looking for the ways to start most efficiently.
- The focus was on three MFP that are primarily in the back office (used by HR and Finance divisions). The system was activated and data collection was started. Going forward, interviews will be held to learn requests for categories and the background for printing on site.

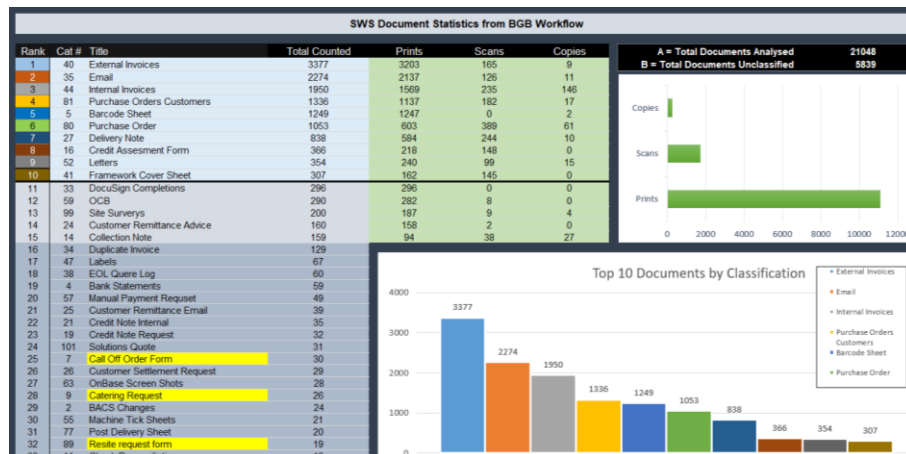
Large amounts of paper are printed out, but it is not clear what is printed and why.



The local government has a responsibility to move ahead with digitization, but we want to use the data on the content of the printouts to consider the direction of digitization in the future.

## Resolutions for issues

Open source software was used to build an algorithm for document analysis, the customer's print data was categorized and trends were shifted to BI.



- Print data was categorized based on customer requests in regards to the content of our MFPs' printouts
- Conduct interviews on work flow, draw out the significance on issues, and identify bottlenecks
- Automate flow utilizing content management service and Microsoft platforms and propose app development



# Example of Vertical Approach: Japanese Local Government's DX Solution



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- We used AI to carry out ongoing automated analysis based on a deep analysis of 4,800 patterns and 500,000 data points from surveys on workloads in prefectures such as Hokkaido and Ehime and government-designated cities such as Sapporo and Kobe, and proposed a new business flow.
- By expanding this initiative laterally to other local governments, Konica Minolta is helping to promote DX and improve services in local governments around the country.

## Issues faced by local governments and background

**While promoting BPR is an urgent issue, no progress was made for multiple reasons**

### Factors related to changes in circumstance

- Recommendations in “Assembly on 2040 Concept for Local Government Strategies” (\*) and downward trend in number of local government employees due to labor shortages
- Strains on man-hours due to sharp changes in social conditions resulting from the COVID-19 and the increase in on-site responses

\* Recommendation that systems should be developed so that administrative services can still be provided even if local government employees are reduced by half in the 2040s

### Conventional factors

[Conditions requiring time for business transfer]

- Although employees are regularly transferred every three years, operating manuals and business transfer reports are unavailable; even if documents are available, their size varies. Operation methods differ depending on the person in charge even when the operation is the same.

[Budget use and restrictions due to existing infrastructure]

- A substantial budget is not allocated to efforts to improve work efficiency (=internal activities).
- Too many systems are built separately for each location and they are not linked to one another.

## Resolutions for problems identified

### Services provided by Konica Minolta

Dividing and separating core and non-core business

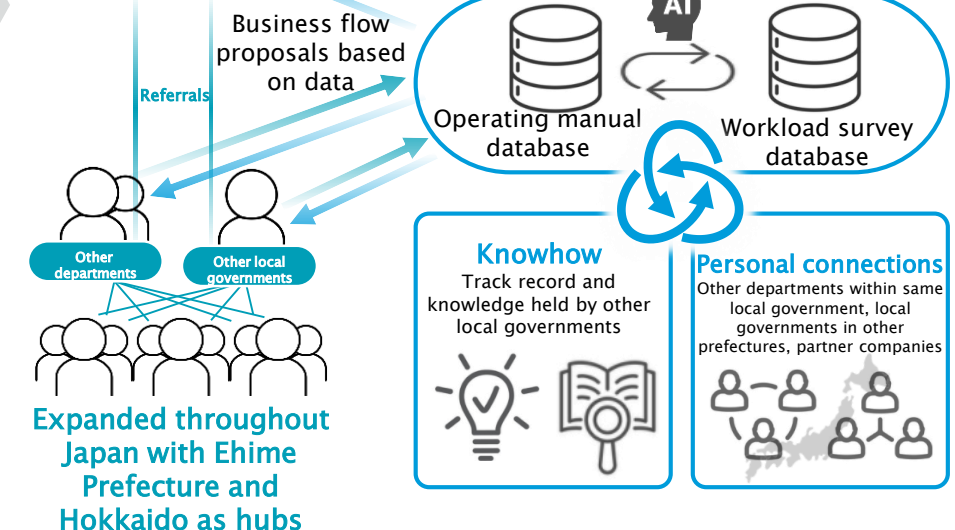
### Local governments

### Our Assets

Operating data entered on site



**BPR promotion solution**  
Business analysis solutions, solutions to firmly establish standardization, AI solutions to support business improvements



Terms and abbreviations	Meaning	Relevant location
One Rate	A model in which the rate is fixed, rather than the previous MFP model in which customer rates vary every month	P.2
MRR	Abbreviation for “Monthly Recurring Revenue”: revenue that can be generated every month	P.2
MIF	Abbreviation for “Machines In the Field”: machines installed at customer locations	P.4
MIT	Abbreviation for “Managed IT”: services that support all operations in a company’s IT department	P.5
BPS	Abbreviation for “Business Process Managed Service”: a service enabling business processes to be analyzed and changed based on data	P.5
ECM	Abbreviation for “Enterprise Contents Management”: a service for the accumulation, management and operation of a company’s information	P.5
CRM	Abbreviation for “Customer Relationship Management”: a system for managing customers	P.5
AI OCR	Abbreviation for “Artificial Intelligent Optical Character Recognition”	P.5
RPA	Abbreviation for “Robotic Process Automation”: a type of automated technology for business processes using software robots	P.5
HIPAA	Abbreviation for “Health Insurance Portability and Accountability Act”: a US law on medical information	P.6
Value Based Care	Medical care based on the patient’s preferences and values	P.6
Service factory	A concept that aims to raise service efficiency and cut costs by offering homogenized services on a global scale	P.6
DevOps	A series of practices combining software development (Dev) and operations (Ops)	P.7
BI	Abbreviation for “Business Intelligence”: the analysis of vast amounts of data amassed by companies on a daily basis and the use of the results of the analysis in making management decisions	P.8
NPS	Abbreviation for “Net Promote Score”: an indicator that measures and confirms a customer’s loyalty to a company’s brand, products and services as a number	P.9
ITSM	Abbreviation for “IT Service Management”: management to provide IT services efficiently and smoothly	P.9



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