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## **Komori Corporation Announces a New Medium-Term Management Plan**

Komori Corporation (“Komori” or “the Company”) hereby announces the Sixth Medium-Term Management Plan, spanning the five-year period from April 2019 to March 2024. It carries on from the Fifth Medium-Term Management Plan, which ended on March 31, 2019. Details follow.

### **1. Reflection on the Fifth Medium-Term Management Plan**

The Fifth Medium-Term Management Plan, which was implemented during the course of the three years from April 2016 to March 2019, focused on strengthening Komori’s existing businesses via *Monozukuri* (*Manufacturing*) *Innovation* activities aimed at enhancing the Company’s development capabilities and pushing ahead with cost reduction. At the same time, this plan was designed to build a more diversified business portfolio by promoting new businesses, namely, the digital printing system (DPS) business and the printed electronics (PE) business as well as the security printing press business targeting overseas customers. Furthermore, Komori practiced a Print Engineering Service Provider (PESP) business approach to expand the range of marketing and strove to deliver a variety of solutions for business challenges confronting customers under the banner of “achieving business model innovation in sales activities.” These efforts were intended to help Komori transform business and profit structures.

However, the performance of Komori’s offset printing press business, the core of its existing businesses, has been stagnant in Europe and Asia, hindering the Company from achieving sales growth as planned. Komori’s performance was also affected by delays in the full-fledged release of new models in the DPS business as well as year-on-year sales decreases in the PE and security printing press businesses in the final year of the plan due to the market cycle that caused the Company to encounter headwinds in these operations. Consequently, Komori’s operating results fell considerably short of the plan’s numerical targets, including net sales target.

Drawing lessons from the aforementioned results, Komori is determined to expand its new businesses at the earliest possible date and, to this end, is striving to fully realize their growth potential. Also, Komori established a sales subsidiary in India in April 2018 while making one of two local distributors in China a subsidiary in April 2019. Looking ahead, the Company will take full advantage of its network supported by these subsidiaries to increase its market share in both markets, thereby improving the profitability of its existing businesses.

## **2. Outline of the Sixth Medium-Term Management Plan**

For the Sixth Medium-Term Management Plan, Komori earmarked a longer than typical period. The Company's conventional medium-term management plans run for three-year periods. The new plan's five-year timeframe was determined with an eye to the upcoming celebration of the centennial of Komori's founding in 2023. Under this new plan, Komori aims to further strengthen business foundations it established in the course of the previous management plan. In line with the theme of "Improving profitability and building foundations for growth businesses," Komori has defined key initiatives to be executed under the new plan as presented below.

### **I. Clarify roles of each business and steadily implement measures aimed at achieving the plan's goals**

- 1) Improve the profitability of core businesses (offset printing presses and security printing presses)
  - (a) Focus resources on expansion into package printing markets and Asian markets as well as the popularization of Connected Automation
  - (b) Stabilize profit by strategically differentiating Komori products from competitors in the security printing press business targeting overseas customers while strengthening service businesses
  - (c) Enhance competitiveness by re-positioning each product in light of its ability to help customers improve their ROI
  - (d) Secure long-term competitive advantages by adopting standardized and structured product features and establishing a mass-customization system via module design and unit production
- 2) Get the DPS business on a profitable track and secure and expand recurring income
  - (a) Strengthen sales capabilities by taking advantage of Komori's unique business model that employs a combination of offset printing presses and digital printing systems
  - (b) Help customers realize "Connected Automation" supported by KP-Connect
  - (c) Commercialize Impremia NS40, a 40-inch size sheet-fed printing system that employs the Nanographic Printing® process
  - (d) Secure a stable stream of profit supported by greater recurring income arising from an increasing number of digital printing systems deployed at customer facilities
- 3) Take steps to secure future growth for the PE business
  - (a) Strengthen manufacturing and sales structures in China
  - (b) Develop and release unique products that can differentiate Komori from competitors in printed circuit board and electronics parts markets
  - (c) Create new products employing innovative ultra-fine line circuit printing technologies, e.g. flexible hybrid electronics (FHE), to meet IoT-related demand
- 4) Push ahead with initiatives to increase recurring income from the PESP business
  - (a) Expand operations capable of securing stable profit from the marketing of supplies, peripheral equipment and digital printing ink and the provision of maintenance services

## **II. Organizational and other measures to be undertaken to promote the new plan**

- 1) Introduce performance-based compensation that rewards directors in step with the degree of their medium- to long-term accomplishments vis-à-vis goals of the management plan
- 2) Adopt an organizational management method that clarifies responsibilities to be borne by each business unit in terms of profitability as well as “Amoeba Management,” a profitability-oriented management system
- 3) Practice discovery-driven planning (DDP) to enhance the likelihood of the realization of the goals of the medium-term management plan

## **III. Optimization of Komori’s capital composition**

- 1) Maintain financial soundness while securing fundraising capabilities and setting aside sufficient funds for risk countermeasures
- 2) Downsize total assets in a way that does not undermine financial soundness and is conscious of capital efficiency
- 3) Enhance shareholder returns, with the goal of achieving a total shareholder return ratio of 80% or more

## **IV. Numerical targets for the fiscal year ending March 31, 2024**

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|----------------------------|---------------|
| 1) Net sales:              | ¥ 116 billion |
| 2) Operating income:       | ¥ 10 billion  |
| 3) Operating income ratio: | 8.6%          |
| 4) ROE:                    | 6.5%          |

Note: Assumed exchange rates: USD 1.00 = JPY 105; EUR 1.00 = JPY 115