

## Komori’s Material Issues and Their Driving Force

The long-term vision "Komori 2030" identifies social issues/megatrends that are emerging as significant trends in this uncertain age, when forecasting is difficult, and materiality (material issues) derived from Komori's role, and makes solving them the role of Komori. We have named the force that drives the role the "Value Creation Engine" and have made clear our commitment to the business.

The following matters were discussed over a period of one year or the full 2022 fiscal year, and they were endorsed at the Board of Directors meeting in March 2023.

Social issues/trends that Komori confronts are the following four:

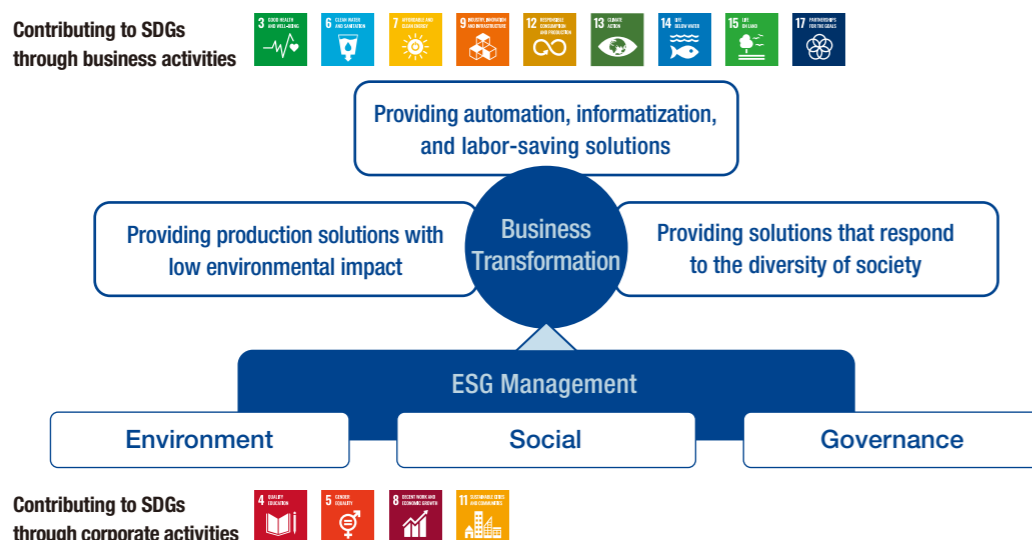
- ① "Environmental destruction & waste problems"
- ② "Decarbonization"
- ③ "Changes in social infrastructure generated by acceleration of digital transformation"
- ④ "Complication & diversification of global society"

In the face of these social issues/megatrends (▶ See Page 29), Komori will push ahead with business transformation in its business activities in the following three material spheres.

1) Production solution with low environmental impact	We provide "production solutions with low environmental impact" by creating a new solution business derived from sophisticated print technology.
2) Automation, informatization, and labor-saving solutions	We provide "automation, digitalization and labor-saving solutions" by integrating print technology with production quality data, optimized workflows, etc. that constitute a Smart Factory.
3) Solutions that respond to the diversity of society	To enable the utilization of print technology in new domains, we achieve open innovation and globalization, thereby providing "solutions that cater to social diversity."

In its corporate operations, Komori will realize ESG management in the following three material fields.

1) Environment	<ul style="list-style-type: none"> <li>We have "Komori Eco Vision 2030" in place, aiming to realize sustainable environment and society.</li> <li>We will strive to reduce CO<sub>2</sub> emissions by 50% by FY2030 from their FY2010 level.</li> </ul>
2) Social	<ul style="list-style-type: none"> <li>We will promote "Komori-Way Work-Style Reform" seeking to enhance employee engagement.</li> <li>We will work to globalize our human resources and promote their diversity.</li> </ul>
3) Governance	We will strengthen corporate governance to meet stakeholder expectations and publish initiatives to ensure management transparency through our "Integrated Report."



## We aim at "Improving Profitability" and "Building a Foundation for Growth Businesses."

### Outline of Sixth Medium-Term Management Plan

We have set forth the theme of "Improving Profitability" and "Building a Foundation for Growth Businesses" in our Sixth Medium-Term Management Plan covering the five-year period from the fiscal year ended March 31, 2020, to the fiscal year ending March 31, 2024, in order to establish a growth stage. As numerical targets for the fiscal year ending March 2024, we will aim to achieve consolidated net sales of ¥110.0 billion, operating income of ¥7.7 billion (operating income margin of 7.0%), and ROE of 5.3%. We expect to boost PESP (Print Engineering Service Provider)/recurring sales aimed at enhancing profitability and stabilizing earnings to ¥35.9 billion (accounting for 32.6% of total sales). We will strive to realize a total shareholder return ratio of 80% or more.

The Plan features the following strategies:

- (1) clarify the role of each of the four business domains and steadily implement measures aimed at achieving the Plan's goals;
- (2) establish organizational and other measures to be undertaken to promote the Medium-Term Management Plan (strengthening organizational management to achieve the goals);
- (3) build an optimal capital structure (aiming to enhance profitability while maintaining financial soundness); and
- (4) strengthen ESG- and SDGs-conscious management initiatives while promoting information disclosure.

Outline of Sixth Medium-Term Management Plan	
1	<b>Clarify business goals and take concrete measures</b> <ul style="list-style-type: none"> <li>Core businesses (offset press business/security printing press business) : Business to secure stable profit</li> <li>Priority businesses (DPS business) : Business that invests intensively with the aim of monetization</li> <li>Business format transformation (PESP/recurring business) : Providing solutions that contribute to productivity</li> <li>New (incubation) businesses (PE business/MBO business) : Business to strengthen the foundation as a growth business</li> </ul>
2	<b>Management system under Medium-Term Management Plan</b> <ul style="list-style-type: none"> <li>Improving profit through organizational management that clarifies profit responsibility and execution of "Amoeba Management"</li> <li>Implementation of work-style reforms that contribute to improving productivity</li> </ul>
3	<b>Optimization of capital structure</b> <ul style="list-style-type: none"> <li>Ensuring financial soundness (including maintaining a credit rating of A, retaining a capital adequacy ratio of around 65-70%, and securing cash on hand)</li> <li>Management with awareness of capital efficiency (including increased efficiency of accounts receivable and inventory turnover, and arrangement and utilization of fixed assets)</li> <li>Total return ratio of 80% or more while emphasizing stable dividend payout (however, extraordinary profits and losses are considered separately)</li> <li>Maintaining sound financial status while aiming to increase ROE by improving profitability and asset efficiency</li> </ul>
4	<b>ESG initiatives</b> <ul style="list-style-type: none"> <li>Making company-wide cross-sectional organizational efforts, with the CSR Committee and Green Project at the core</li> <li>Clarification of efforts to solve social issues and improve corporate value by issuing an integrated report</li> <li>Activity evaluation and improvement through a third-party organization's activity assessment report "Nikkei SDGs Management"</li> </ul>

## Measures for Implementation & Progress in Each Business Domain

### Offset press business

Sales in the offset press business have recovered to pre-COVID levels after plunging amid the COVID-19 pandemic. We are implementing two measures to ensure the maintenance and growth of a secure sales level. We assume response to environmental protection and shortage in human resources as major challenging issues faced by customers. Turning to the market, we regard it as important themes to expand market share in the promising package printing sector, and address region-specific needs.

In order to cope with these challenging issues, we will work to further enhance the appeal of products and strengthen their sales in the LITHRONE advance series, our flagship printing machines. Given growing demand for increased productivity in the market, we will strengthen sales of Komori's unique differentiated products such as 44-inch printers capable of efficient printing and single-pass double-sided machines that can simultaneously print both sides of paper in one pass. Moreover, we will enhance product proposals catering to market needs, including multifunction printers capable of handling from thin paper to cardboard as well as multicolor printers and reversing machines that can adapt to various types of printed matter. In addition, we will also undertake the development of products which reduce environmental load through such means as energy conservation and the use of technology for slashing waste paper and which, at the same time, adapt to market needs. We also deem the building of a Smart Factory as an important theme.

We aim to enhance our customers' productivity and profitability by visualizing, automating, and streamlining on-site scenes through the integration of our strengths, including printers, the PESP product lineup, and KP-Connect. We will build a system that allows us to propose solutions as well beyond what we have traditionally offered through your participation in the KP-Connect alliance. (▶ See Page 39)



LITHRONE G40 advance

### Security printing press business

We will execute two strategies in the security printing press business.

The first is a differentiation strategy. We will prioritize the three factors of Sustainability/Productivity/Profitability and make winning bids based on our differentiated products not available on the part of competitors. Meanwhile, we will set up a demonstration center dubbed KGC-C, featuring security printing presses, inside the Komori Graphic Technology Center (KGC). This is intended mainly for R&D on security printing technology and for nurturing printing specialists while conducting demonstration tests associated with business deals. The center is scheduled to be used for the permanent exhibition of machines for overseas markets, including gravure printing machines, dry offset presses, and combination machines capable of printing numbers and coating in a single pass. We hope to develop new products for security printing based on these activities.

The second is a strategy for the expansion of business domains. We will expand after-sale service business, including long-term maintenance contracts, thereby contributing to the optimization of product maintenance costs on the part of customers. We will also expand our sales efforts for highly counterfeit-resistant printing materials like passports and broaden our customer base beyond clients for banknote printing.



CURRENCY IC

### PESP (business transformation of sales)

The PESP initiative is intended to enhance recurring business. We will enhance solutions to minimize customer downtime. We will enhance communication with our customers as well and improve service quality by implementing planned maintenance projects integrated with preventive maintenance, expediting services through IT-based remote support, and developing recurring business through printing consultant maintenance contracts.

We will expand the PESP product lineup. We will strengthen R&D and sales activities for printing materials that are compatible with our machines and environmentally friendly. We also provide post-press equipment and offer retrofit products to enhance your existing machines. Through these measures, we provide customers with services ensuring the long-term and more secure use of our machines after their purchase.



Lineup of PESP expendables

### DPS business

We will commence field tests in China for high-quality large-format photo and art printing, on which we have been working as part of our application expansion efforts. Furthermore, as part of our new application expansion, we will be focusing on cosmetic micro flute printing used in various packaging and displays. Package printing is a growing market, and we believe that by performing cosmetic micro flute printing with the use of digital printing machines, we can contribute to environmental issues such as reducing transportation costs and promoting effective recycling by producing required quantity as needed.



Impremia NS40



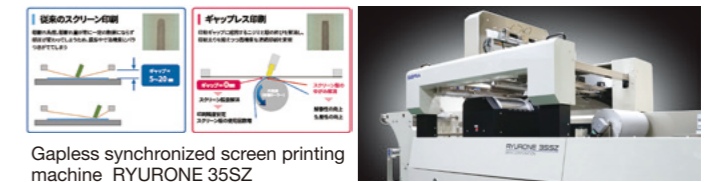
MBO CoBo-Stack + MBO A80 + MBO K8RS

### MBO business

We are committed to continuous digitalization and Industry 4.0 technologies, leveraging machine networking, big data analysis and utilization to optimize production processes, and the use of automation and robotics. Furthermore, we are also working on the use of AI for automating complex tasks, optimizing production processes, and moving toward predictive maintenance.

### PE business

We will strengthen equipment proposals to enhance manufacturing productivity by responding to an anticipated medium- to long-term increase in demand for electronic components and PKG boards, leveraging fully automatic printing machines and automated equipment using FA technology. We have significantly strengthened our PE business as a growth initiative and changed our management structure to integrate element technology development, manufacturing and sales of Komori Corporation, SERIA CORPORATION and SERIA ENGINEERING, INC.



Gapless synchronized screen printing machine RYURONE 35SZ

### Progress in Sixth Medium-Term Management Plan and challenging issues

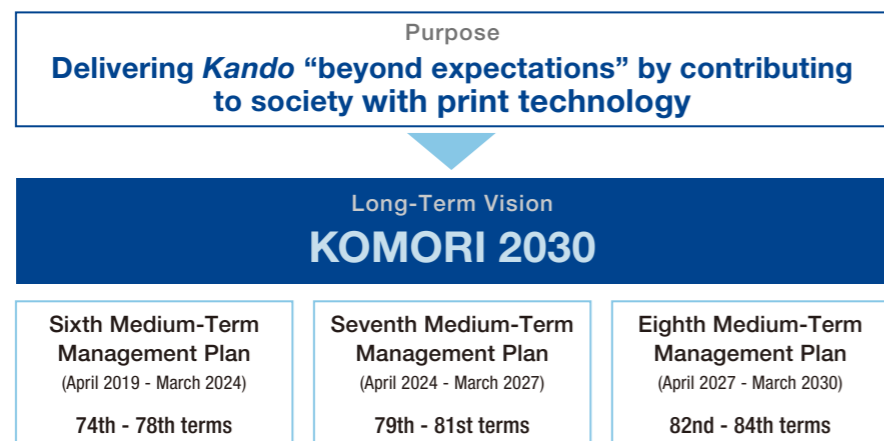
In the fiscal year ended March 31, 2023, the fourth year of the Management Plan, orders received leveled off from the previous fiscal year at ¥97.4 billion while net sales rose 12% year on year to ¥97.9 billion. Operating income absorbed the increases in personnel costs and soaring raw material prices through revenue growth and the yen's depreciation, scoring a 152% surge to ¥5.7 billion (operating income margin of 5.8%), significantly exceeding the planned figure of ¥4.4 billion. Meanwhile, our performance outlook for the fiscal year ending March 31, 2024, which is the final year of the Management Plan, is as follows, based on exchange rate assumptions of ¥125 to the U.S. dollar (against the previous year's actual rate of ¥134.95) and ¥135 to the euro (against the previous year's actual rate of ¥141.24): Orders received, up 4% year on year to ¥101.0 billion; net sales, also up 4% to ¥102.0 billion; and operating income, down 47% to ¥3.3 billion (operating income margin of 3.2%). The differences from the numerical target for operating income forecast under the Management Plan are primarily attributed to factors such as delays in resolving supply challenges caused by the COVID-19 pandemic, as well as delays in realizing the effects of product price increases. We expect to continue striving to achieve target numbers under the Plan.

Target numbers	Sixth Medium-Term Management Plan			
	Results for FY2020	Results for FY2021	Results for FY2022	Results for FY2023*2
Orders received in 100 million yen	717	976	974	1,010
Net sales in 100 million yen	718	876	979	1,020
Operating income in 100 million yen	(23)	23	57	33
Operating income ratio to net sales: %	-3.2	2.6	5.8	3.2
ROE: %	-2.1	6.1	5.4	-
PESP/recurring revenue in 100 million yen	216	284	293	294
Sales ratio: %	30.1	32.4	29.9	28.8
Equity ratio: %	67.6	65.8	64.6	65-70
Total return ratio: %	-	66.3*1	69.3*1	80
US\$: yen	106.17	112.86	134.95	125
€: yen	123.73	131.01	141.24	135

\*1 Actual rates after excluding income taxes deferred for prior periods: 80.4% for FY2021, 81.7% for FY2022 \*2 Forecast for FY2023: Announced May 15, 2023

## Long-Term Vision “Komori 2030” Adopted Based on Corporate Purpose

Based on the Komori Group’s newly formulated corporate purpose, “Delivering *Kando* ‘beyond expectations’ by contributing to society with print technology,” we have established a long-term vision called “Komori 2030” for each business division in anticipation of the Seventh Medium-Term Management Plan starting in April 2024 (covering the three-year period from FY2024 to FY2026) and the subsequent Eighth Medium-Term Management Plan (from FY2027 to FY2029). Anticipating long-term social issues and megatrends, we use them to guide our efforts for value creation toward 2030 and for the ideal state of each business segment. We are scheduled to announce the next plan, the Seventh Medium-Term Management Plan, in May 2024.



### Four social issues to be tackled

The Komori Group has taken up the following four matters as social issues/megatrends to be tackled: (1) Environmental destruction & waste problems, (2) decarbonization, (3) changes in social infrastructure generated by acceleration of digital transformation, and (4) complication & diversification of global society. In response to these challenges, the Komori Group supports society and brings about *Kando* “beyond expectations” with three solutions resulting from business transformation. The Group does so through its value creation platform of print technology and the following six initiatives: “Promoting solution business,” “creating a Smart Factory,” “pursuing open innovation,” “globalizing business and human resources,” “seeking strategic investments, including M&A,” and “pursuing high management quality.”

Social Issues/Megatrends	
	<b>Environmental destruction &amp; waste problems</b> <ul style="list-style-type: none"> <li>Growing energy-saving needs</li> <li>Produce only necessary amount of necessary goods to reduce environmental impact</li> <li>Treat microplastics/chemical substances/hazardous waste, and increase reuseable materials</li> </ul>
	<b>Decarbonization</b> <ul style="list-style-type: none"> <li>Initiatives for carbon neutrality</li> <li>Ozone layer depletion/global warming</li> <li>Conversion to natural energy</li> </ul>
	<b>Changes in social infrastructure generated by acceleration of digital transformation</b> <ul style="list-style-type: none"> <li>Response to EC market expansion</li> <li>Advanced information society and leakage of personal information</li> <li>Spread of digital currency &amp; counterfeit goods</li> </ul>
	<b>Complication &amp; diversification of global society</b> <ul style="list-style-type: none"> <li>Labor shortage in advanced regions due to sagging birthrate and aging population</li> <li>Shift to high value-added labor through automation of menial jobs</li> <li>Spread of different values according to regions</li> </ul>

### Komori’s role

We believe a “value creation engine” is necessary to fulfill Komori’s role in addressing social issues/megatrends. We believe that we can create this “value creation engine” by leveraging the synergy of “print technology” and “company-wide efforts for value creation.”

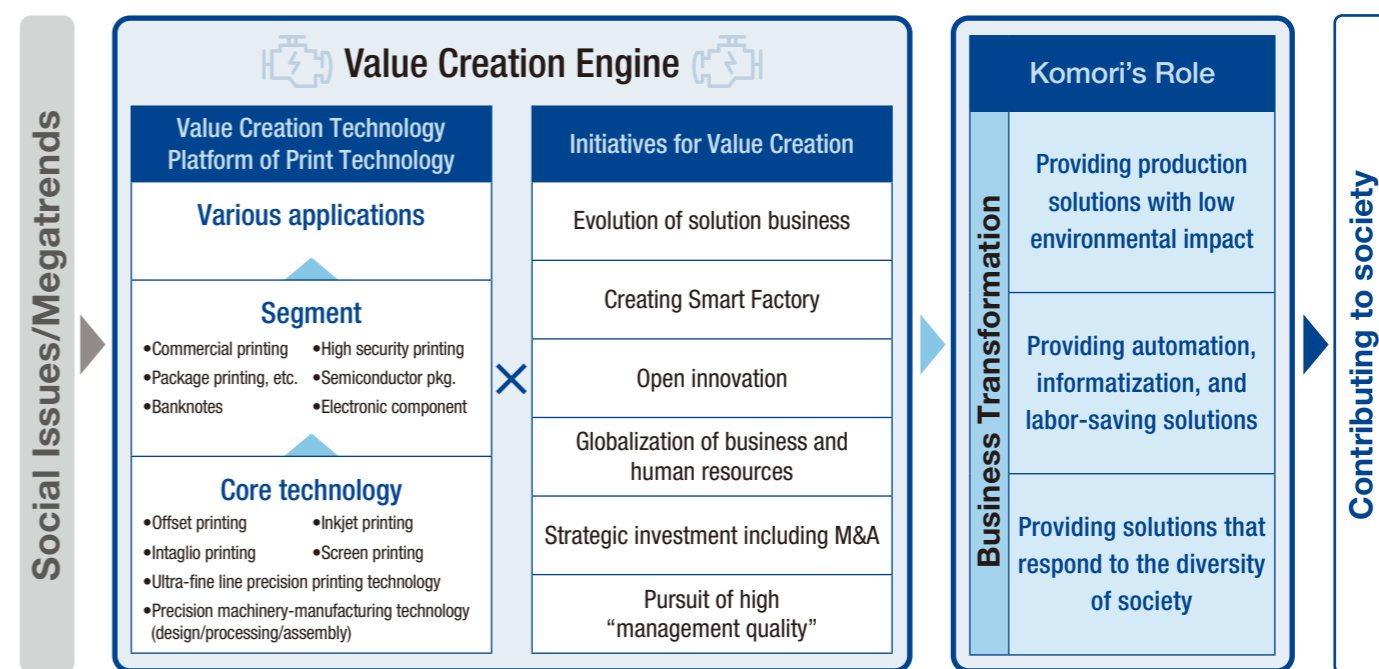
The “value creation engine” will act as a driving force for advancing our corporate purpose and, through this, we will drive business transformation and contribute to society by providing the three solutions that leverage Komori’s role. Namely:

- We provide “production solutions with low environmental impact” by creating a new solution business derived from sophisticated print technology.
- We provide “automation, digitalization and labor-saving solutions” by integrating print technology with production quality data, optimized workflows, etc. that constitute a Smart Factory.
- To enable the utilization of print technology in new domains, we achieve open innovation and globalization, thereby providing “solutions that cater to social diversity.”

We will perform Komori’s role by generating technological innovation of print technology and providing solutions.

## Long-Term Vision “Komori 2030”

Supporting information, culture and economy with **SHINKA** through the true value of print technology (deepening, evolving, and creating value)



## Contributing to realizing eco-friendly Smart Factory anyone can safely operate

### Offset Press Business



- Provide products/services meeting market needs
- Provide High productivity leveraged by environmental and robotics technologies
- Expand customer support based on products for repair/maintenance



Managing Director,  
Group General Manager of Offset Business Group  
and Tsukuba Plant

Koichi Matsuno

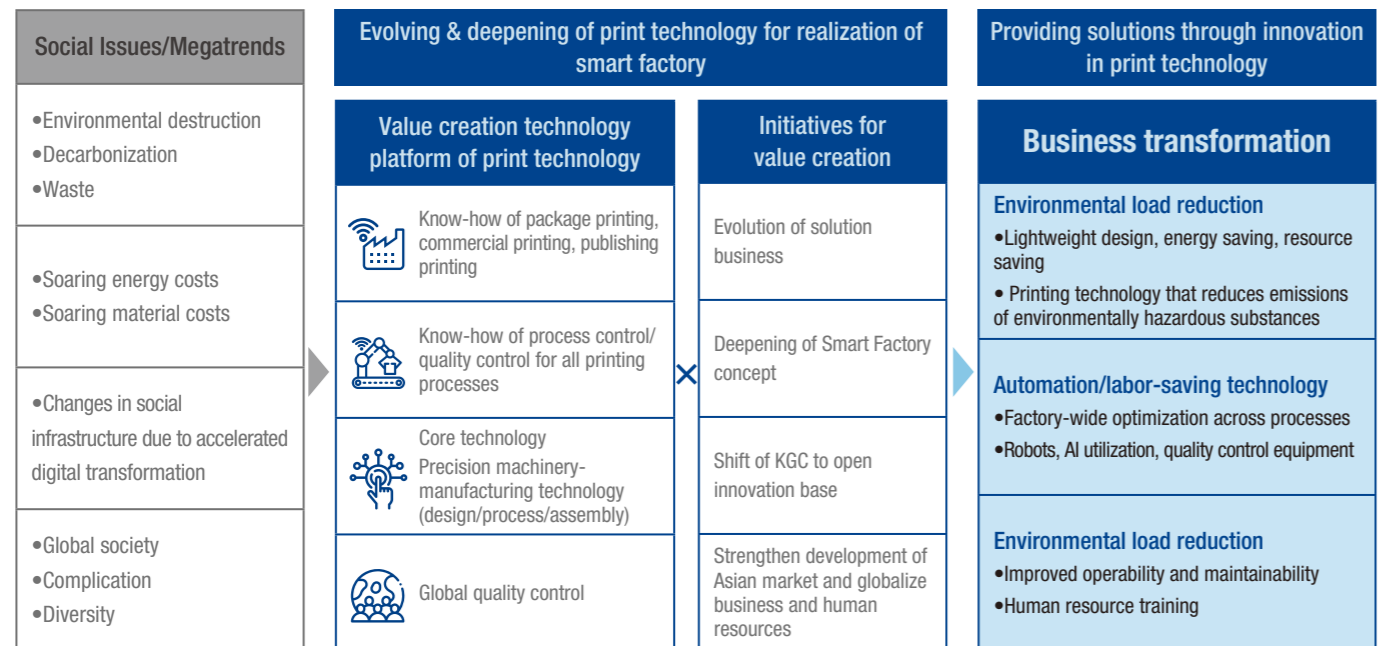
The environment surrounding the offset press business, continuing since our company's establishment, has undergone significant changes in recent years.

The business environment for our customers, particularly in packaging printing, is performing well while the commercial printing market continues to shrink. Reorganization of printing companies is underway along with such a change in the market environment. Furthermore, the rising costs of raw materials like paper, and a shortage of skilled labor capable of operating printing machinery have become increasingly prominent on a global scale. There is a growing demand for significant improvement in productivity and user-friendly printing machines. On the other hand, the expanding global environmental concerns require a reduction in environmental impact, decarbonization, and the resolution of waste problems.

To address these challenges faced by our customers, we will further deepen our print technology, which is primarily based on precision machinery manufacturing technology developed over the years, for Komori's offset printing presses. We are committed to decarbonization through the development of functions to reduce paper waste in response to the rising costs of energy and raw materials, and through the reduction of energy consumption to address environmental concerns, among other measures. We are also addressing the shortage of skilled labor by improving the user-friendliness of printing machine operation and maintenance. Additionally, we are working to provide labor-saving solutions, such as the automation of quality inspection and that of post-processing logistics using robots and AGVs, thus aligning with the voices of customers aiming to realize a Smart Factory.

Meanwhile, we will strive to enhance the sustainability of the offset press business as Komori's core business. Our business revenues are increasingly coming from overseas, and we are promoting the strengthening of our global quality management structure. Simultaneously, we are working toward efficient manufacturing and improved operational efficiency to enhance the profitability of our offset press business.

In the future as well, building on our century-long history, we will continue to focus on the offset press business as a foundational business geared to Komori's sustained growth by "contributing to realizing a Smart Factory with eco-friendly printing systems anyone can safely operate."



## Contributing to protecting the identities of individuals, companies and nations worldwide with "security printing technology"

### Security Printing Business



- Propose solutions contributing to protecting diverse identities
- Respond to diverse needs in countries worldwide



Managing Operating Officer,  
Group General Manager of Security Press Business Group

Junya Shimada

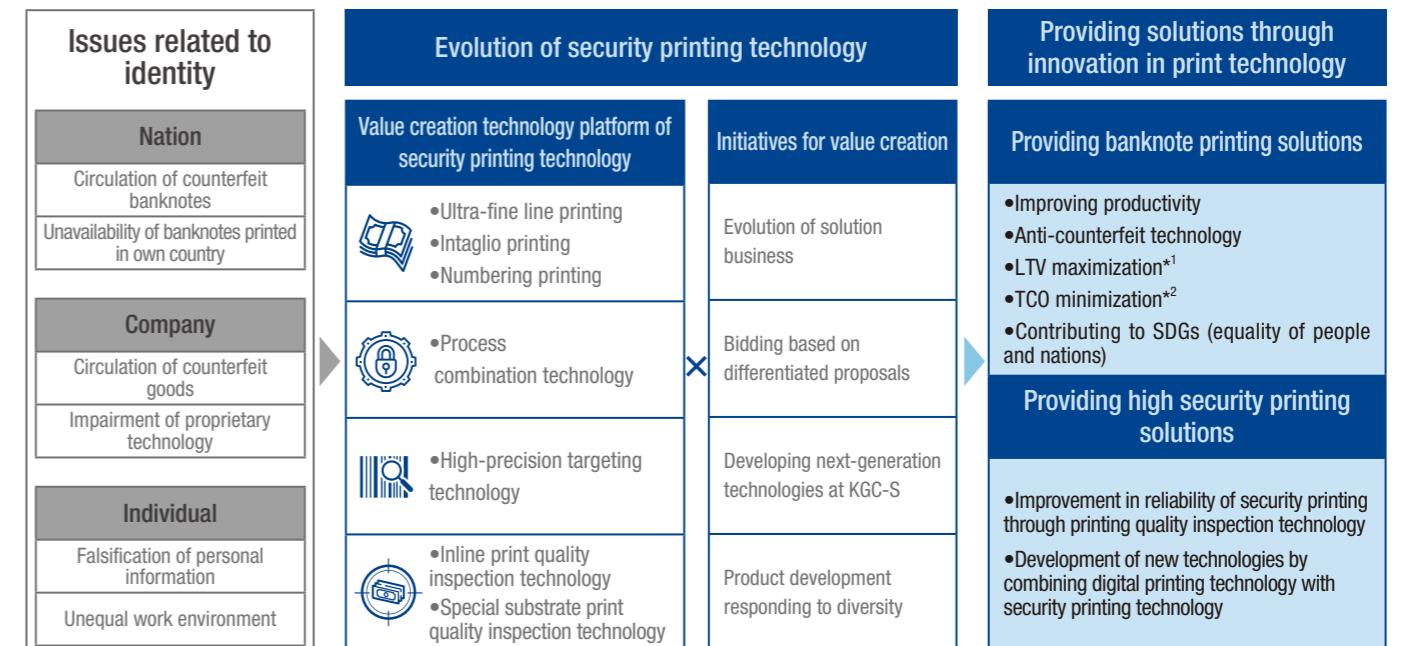
The security printing business, including the banknote printing business that began in 1958, plays a crucial role as a foundational business for Komori, along with the offset press business.

We are currently providing banknote printing solutions in 36 countries around the world, and as we expand our business globally, we receive various needs and requirements. As we continue to combat counterfeit banknotes on a global scale, there are countries that cannot print their own banknotes even if they want to, and different solutions are required depending on each country's circumstances.

The needs for security printing extends beyond preventing counterfeit banknotes, as companies are increasingly seeking solutions for brand protection. The necessity for preventing counterfeits and safeguarding proprietary technology has become more prominent. Furthermore, preventing tampering with documents containing personal information, such as passports and ID cards, has become a challenging issue to be addressed internationally.

In addition to security printing, there is a growing need from the perspective of achieving one of the Sustainable Development Goals (SDGs), which aims to eliminate inequalities among people and nations. Regardless of age, gender, or the size of a country, the development of printing machines that enable all individuals and nations to operate them equally is becoming increasingly important.

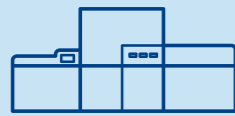
In light of such an environment, we will continue to further advance security printing technology for banknote printing at the national level, aiming to enhance productivity and develop additional counterfeit prevention techniques. Furthermore, for businesses and individuals, we will strive to meet their needs for enhancing the reliability of high-level security printing by developing new printing technology that combines digital printing with security printing, and improving security printing trustworthiness. In the securities printing business, we will contribute, through these efforts, to safeguarding the identities of individuals, businesses and nations worldwide with "security printing technology."



\*1 LTV=Life Time Value \*2 TCO=Total Cost Ownership

## Contributing to low-carbon society by taking advantage of digital printing technology

### DPS Business



- Develop new applications toward market creation
- Differentiate from other companies and enhance competitiveness through improved product value
- Foray into new domains through use of digital printing technology



Director, Senior Operating Officer,  
Group General Manager of DPS Business Unit and  
Technical Management Group

Isao Funabashi

The DPS business, which delivers digital printing machines, has become even more crucial in an era where the SDGs are demanded.

The era of mass production and mass consumption has come to an end amid the worsening environmental problems, and there is a growing demand for producing only the necessary amount when needed, as well as reducing CO<sub>2</sub> emissions. Furthermore, the trend of individual packaging, aimed at reducing food loss, has emerged due to food shortages stemming from population growth underway in emerging countries. On the other hand, there is a demand for production systems that can operate with fewer personnel or without any human involvement in advanced countries against the backdrop of a shrinking labor population. Moreover, there are calls for response to the expansion of e-commerce and for data management through IT, both trends driven by digitalization-caused changes in consumer behavior.

To address these diverse social challenges, we will continue efforts in our DPS business to leverage the features of digital printing machines and contribute to the development of culture and livelihood in a low-carbon society.

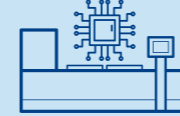
As for our environmental initiatives, we will strive to provide solutions for CO<sub>2</sub> reduction by supplying a wide range of industries with eco-friendly digital printing machines capable of reducing environmental impact.

In response to changes in lifestyle, we are working to provide printing machines that can adapt to the diversifying ways of work. We aim to offer solutions accessible to anyone, regardless of the years of experience or gender, and enabling efficient production through automation, easy operation, and simple maintenance.

In connection with cultural changes, we are committed to providing printing machines that can accommodate various print products tailored to the diverse lifestyles. By so doing, we will seek to meet the need for print products that enhance added value for a wide range of industries, offering solutions permitting ultra-short delivery time and ultra-small-lot production.

## Contributing to improving productivity of eco-friendly manufacturing and to sustainability of social life with “print technology” and “automation and FA technology”

### PE Business



- Developing manufacturing solutions for PE
- Developing elemental technologies for electronic parts/semiconductor domain



Operating Officer, Group General Manager of PE  
Business Group and General Manager of Business  
Promotion Department

Takashi Fujimoto

Let me explain our efforts in the printed electronics (PE) business, a new growth business. Electric vehicles (EVs) are spreading rapidly against the background of the current era when we are required to achieve decarbonization. In the EV sector, a large number of semiconductors and electronic components are used compared with traditional automobiles, which is leading to the expansion of demand for semiconductor and electronic parts production.

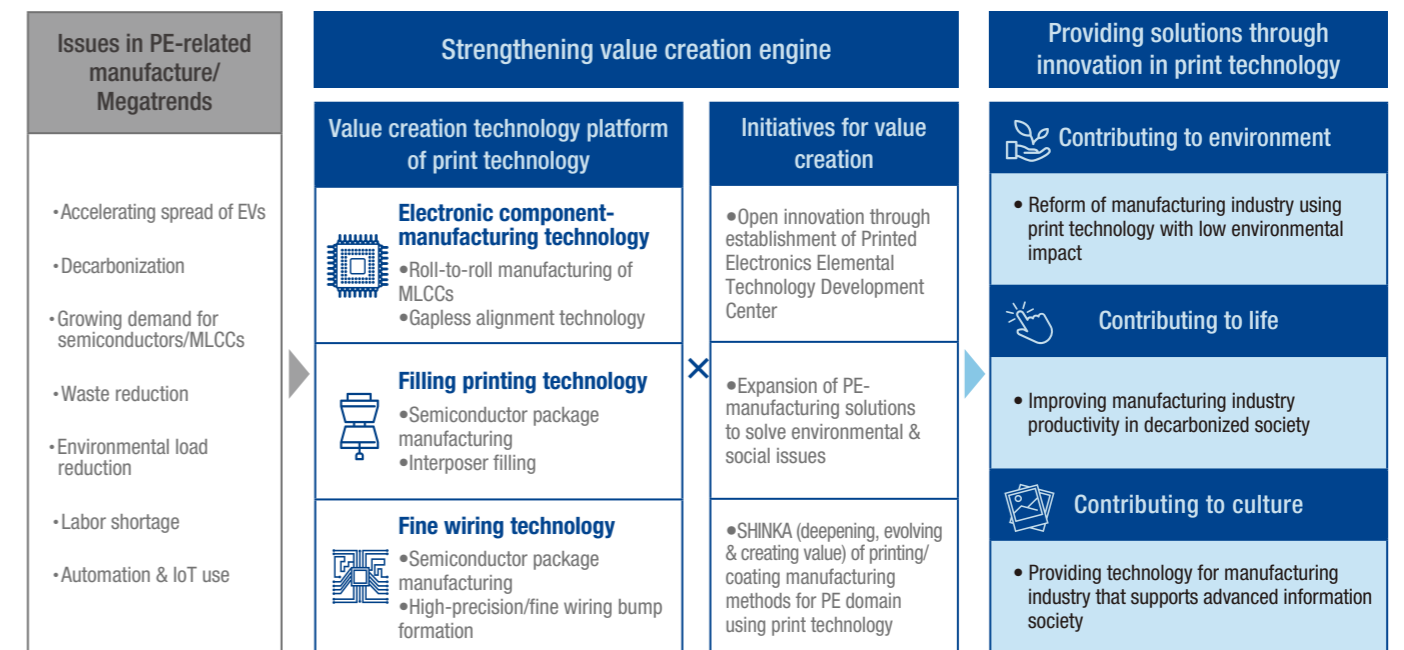
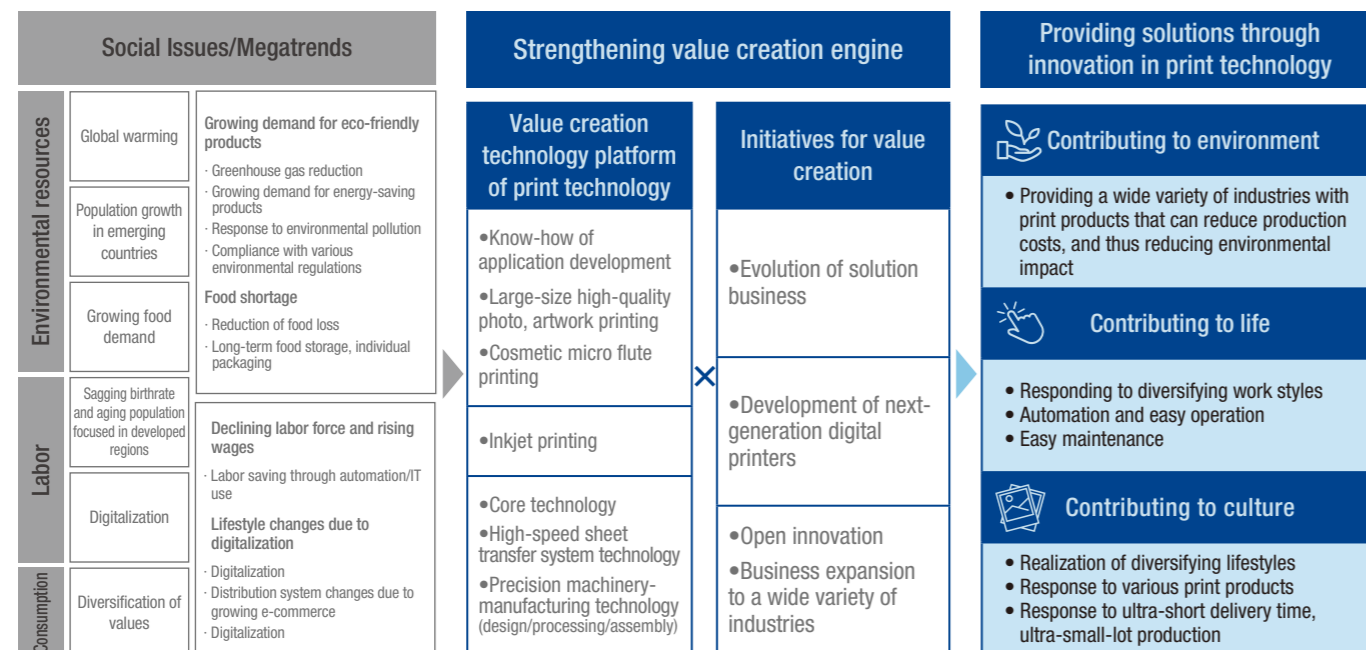
On the other hand, we face the challenging issues of lowering environmental impact and reducing waste in the process of semiconductor and electronic parts production. At the site of production, there is also a need for automation and use of IoT to address labor shortages.

In addressing these challenges, our PE business is committed to utilizing “print technology” and “automation and FA technology” to enhance productivity in environment-conscious manufacturing and contribute to the sustainability of our society.

We have developed fine wiring technology by applying gravure offset printing technology as a solution for the manufacture of semiconductor packages and electronic components using print technology. Furthermore, we have commercialized filling printing technology for interposer filling in laminate semiconductor packages. Additionally, we have established roll-to-roll electronic component-manufacturing technology to produce, with high productivity, multi-layer ceramic capacitors (MLCCs) used extensively in EVs.

With these print technologies as our technical foundation, we have established the Printed Electronics Elemental Technology Development Center (PEDEC) at our Tsukuba Plant. Together with our customers and partner companies, we will push ahead with the development of new applications through open innovation.

In the PE business, we will further enhance elemental technology development, aiming to establish printing and coating manufacturing methods for PE products using environmentally friendly print technology. Furthermore, we are working to expand our PE manufacturing solutions to address environmental issues and societal challenges.



## Based on the “Komori 2030 Long-Term Vision,” we will increase investment under the upcoming Seventh Medium-Term Management Plan.

Director, Operating Officer and  
General Manager of Administrative Division  
**Iwao Hashimoto**



### Komori's financial/capital policies, & financial officer's role

In the current fiscal year ending in March 2024, Komori is in the final year of the Sixth Medium-Term Management Plan. The key point of financial and capital strategies here is to strive to build an optimal capital structure by maintaining financial soundness, executing management with an awareness of capital efficiency, and enhancing shareholder returns. Specifically, it is to improve capital efficiency by reducing total assets in the balance sheet. Our key performance indicators (KPIs) targeted for the fiscal year ending March 31, 2024, are as follows: (1) ROE of 5.3%; (2) operating income ratio of 7%; and (3) equity ratio of 65-70%, with a total return ratio of 80% or more.

Currently, in my role as the financial officer, my primary responsibility is to secure investment funds and shareholder return

funds for the upcoming Seventh Medium-Term Management Plan starting next fiscal year. More specifically, my focus is on improving the profitability of our core offset press business and enhancing our cash generation capability. In alignment with this, we strengthened the cash management of our overseas subsidiaries in the fiscal year ended in March 2023, consolidating funds at Komori headquarters.

The second aspect of my responsibility involves strengthening our internal management structure. With the introduction of a business group system in April 2023, we have set made clear specific cost awareness and profitability targets for each business division. Finally, ensuring financial stability is crucial, and it is important to maintain financial soundness, including effective management of funding costs.

#### Results as of March 31, 2019: Net Assets ¥130.2 billion

Current Assets <b>¥109.5</b> billion	Liabilities <b>¥37.2</b> billion
Cash and Deposits <b>49.1</b>	
Inventories <b>32.2</b>	
Noncurrent Assets <b>¥57.9</b> billion	Net Assets <b>¥130.2</b> billion (Equity ratio 78%)

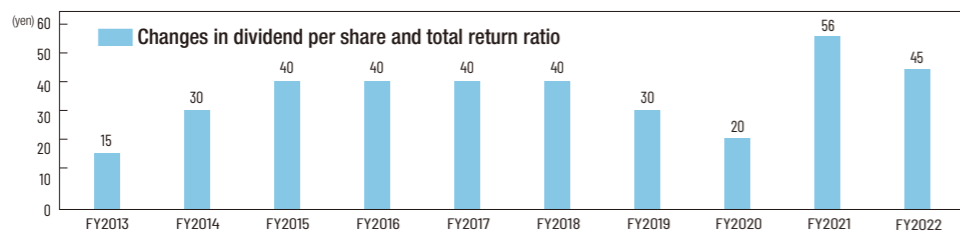
#### Results as of March 31, 2023: Net Assets ¥107.1 billion

Current Assets <b>¥123.6</b> billion	Liabilities <b>¥58.4</b> billion
Cash and Deposits <b>47.6</b>	
Inventories <b>37.4</b>	
Noncurrent Assets <b>¥41.9</b> billion	Net Assets <b>¥107.1</b> billion (Equity ratio 65%)

### Results of the Sixth Medium-Term Management Plan and challenging issues

The achievements of the Sixth Medium-Term Management Plan include enhancing shareholder returns while compressing net assets, thus maintaining financial soundness. The compression of total assets did not progress as initially planned due to such factors as an inventory increase stemming from supply chain disruptions, including parts shortages in the past few years. Another factor was the yen's depreciation. Despite these challenges, certain achievements have been realized. On the flip side, we have given top priority to tackling

the parts supply issue, resulting in delays to the latter half of this fiscal year or later in passing on the increased costs of raw materials to higher product prices. In the face of such a challenging issue, it appears tough to achieve KPIs (1) and (2). In terms of business segments, the Advance series of offset printing machines, which enhanced return on investment (ROI), significantly contributed to revenue improvement. However, the DPS business is likely to cause a great impact because of its sales delays and unmet recurring income target.



<sup>\*1</sup> 80.4% (FY2021) and 81.7% (FY2022) excluding income taxes-deferred for prior periods

In the current Sixth Medium-Term Management Plan, the cash allocation over a period of five years is projected as follows: Cash inflow of approximately ¥32.0 billion (including operating cash flow of about ¥28.0 billion) and cash outflow of around ¥10.0 billion for capital expenditure, about ¥15.0 billion for shareholder returns, and approximately ¥7.0 billion for activities such as M&A deals. We plan to spend around ¥4.7 billion in capital expenditure for the current fiscal year, focusing on SDGs-related initiatives and a PE research facility. However, we feel the lingering impact of the low levels of investment from FY2019 to FY2020. The compression of total assets has been at

the forefront of our capital policy, and there has not been any significant increase in specific investment. M&A activities included the acquisitions of the Germany-based MBO group, and of sales companies in China and India, all of which have been made subsidiaries. However, the financial magnitude of these acquisitions was not substantial. The cash allocation under the Sixth Medium-Term Management Plan is featured by the fact that shareholder returns, including share buybacks, account for approximately half of the cash outflow. As a result, we anticipate that the liquidity on hand at the end of FY2023 in March 2024 will be approximately the same as it was at the end of FY2018 in March 2019.

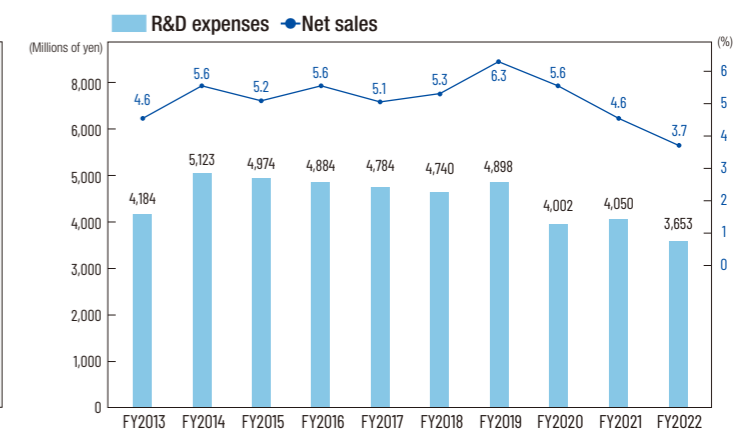
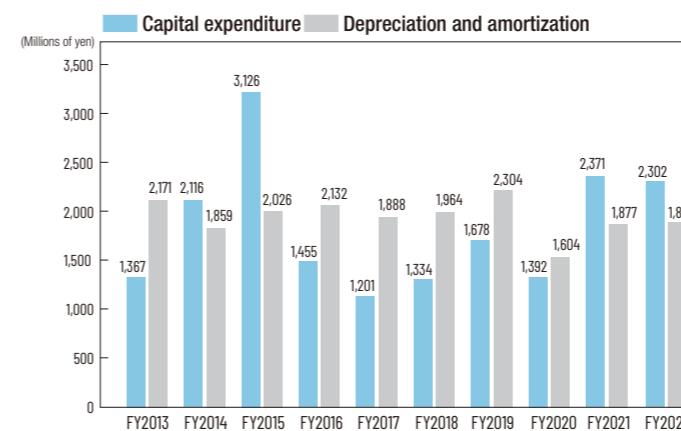
### Direction of financial and capital policies under the Seventh Medium-Term Management Plan

At present, we are formulating our financial and capital policies under the Seventh Medium-Term Management Plan (FY2024 to FY2026) which begins in April 2024. The difference in cash allocation under the Seventh Plan compared with the Sixth Plan lies in the intention to allocate funds to priority areas. Specifically, we plan to increase investment in growth areas, including M&A. Aiming to expand the print technology domain beyond the existing offset press and security printing businesses, we are considering making investment in enhancing production capacity in the PE and DPS businesses as well as promoting M&A deals.

We will set the cost of shareholder equity for investment at 6-7%, and aim for returns exceeding that level, keeping this factor in mind during the investment process. While increasing investment, we will maintain an equity ratio of around 60% as financial soundness is crucial for the continuity of the overseas security printing machine business. Our M&A plan involves the assessment of an acquisition

price using indicators such as the DCF method and the EV/EBITDA multiple, taking into account potential future synergies and returns. The presence of a competent and capable management team at the acquisition target is deemed crucial in this evaluation process. Additionally, as part of our response to multiple stakeholders, we plan to increase investment in human capital and shorten payment cycles to partner companies. While maintaining a high total return ratio, we will shift the focus of cash allocation toward investment that contributes to growth.

In the Long-Term Vision “Komori 2030,” the Seventh Medium-Term Management Plan corresponds to a period of advanced investment in building the foundation to achieve the vision. We aim to enhance profitability under the Eighth Medium-Term Management Plan, based on the groundwork laid during the preceding period. Therefore, we will consider the optimal capital structure separately for the Seventh and Eighth Medium-Term Management Plans.



### Continuing to enhance PESP business

In order for Komori to increase profitability in the medium to long term, it remains crucial to expand the PESP business, which generates higher margins than product themselves. The PESP business accounted for 30% of total net sales in the fiscal year ended March 31, 2023. There is still room for business expansion here, especially in conjunction with KP-Connect, and the key is to strategically address challenges such as labor shortages on the part of customers and component shortages.

When Komori introduced the business group system in April 2023, it integrated the service departments of domestic sales, overseas sales and security printing, resulting in a change in the

organizational structure as well.

Among these, we believe there is significant room for expansion in the services of overseas offset printing and security printing. We will extend the PESP business, including the streamlining of these structures. There are ample opportunities to grow the PESP business in the medium to long term as Komori has a share of approximately 50% in the security printing press market (only one competitor in the world), and sales volume of security printing presses has been increasing globally over the past several years. (▶ See Page 40)

### Information disclosure policy, shareholder/investor engagement, and corporate value

Regarding information disclosure, we have integrated our Annual Report and Environmental and Social Responsibility Report into a single Integrated Report, starting from the fiscal year ended March 31, 2021, to enrich the contents, including not only financial but also non-financial information. One of the challenges is to expedite the disclosure of the English version of the Integrated Report, narrowing the gap with the Japanese version. With an increasing number of inquiries from overseas investors, we aim to leverage this trend for dialogue and engagement with shareholders and investors. Our earnings briefings, conducted four times a year, have become more dynamic than before, with the use of a web-based format allowing for the acceptance of pre-submitted questions as well.

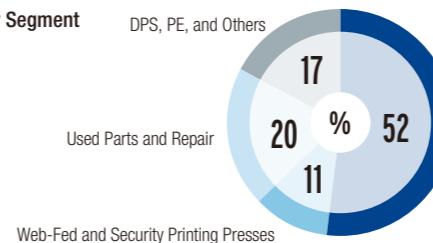
We recognize that Komori's corporate value is perceived with

a strong image of a mature company in the offset printing press-focused business. There is also an awareness of a lack of public relations efforts, as reflected in the current relatively low price-to-book value ratio (PBR) as a stock valuation indicator. As we go forward, it is essential to present investors with a compelling narrative that anticipates future revenue expansion. Anchored in our corporate purpose and aligned with the Long-Term Vision “Komori 2030,” achieving business transformation through the three pillars of SHINKA (deepening, progress and true value) in print technology is crucial. To enhance corporate value, it is indispensable to heighten growth expectations, realize the vision of becoming “a company that delivers *Kando* beyond expectations,” and engage in co-creation with multiple stakeholders.

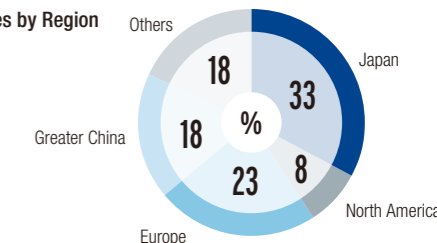
## Segment Highlights

In the fiscal year ended March 31, 2023, the business of our flagship sheet-fed printing presses accounted for 52% of consolidated net sales; web-fed offset press and security printing press businesses 11%; used parts and repair businesses 20%; and DPS, PE and other businesses 17%. Referring to the regional composition of net sales, Japan accounted for 33%, North America 8%, Europe 23%, Greater China 18%, and other regions 18%.

• Net Sales by Segment



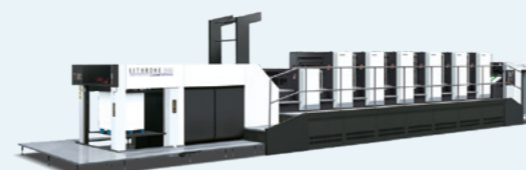
• Net Sales by Region



### Sheet-Fed Printing Press Business

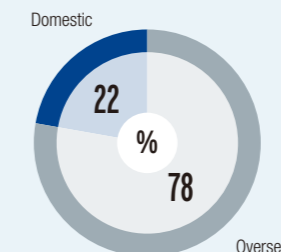
(Sheet-fed offset printing presses)

Offset printing is the most common type of printing method today using a plate, in which the inked image is transferred from a plate (off) to a blanket and then to the printing surface (set). Sheet-fed printing presses print on individual sheets of paper cut in advance. Presses of this type boast high-accuracy, high-quality and high-speed printing capabilities. Thus, these presses are suitable for commercial printing matter such as catalogs and posters as well as package printing. Komori's printing system boasts the ability to accommodate paper as large as 840mm x 1,150mm. Ink for offset printing comes in various types, including oil-based and UV ink. In addition to the four colors of cyan, magenta, yellow, and black, a spot color, gold, and silver are available for multi-color printing. Offset printing is said to account for about 70% of the world print output.

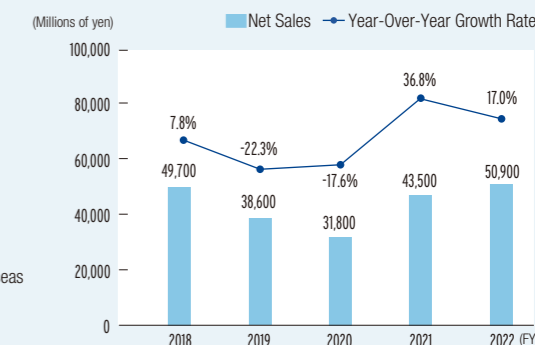


**LITHRONE G40 advance**  
40" Sheet-Fed Offset Printing Press

• Overseas Sales Ratio



• Net Sales and Year-Over-Year Growth Rate



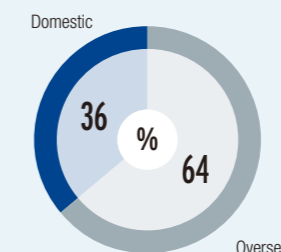
### Web-Fed and Security Printing Press Business

Web-fed offset presses have the same structure as sheet-fed offset printing presses. However, unlike sheet-fed printing presses which print on individual sheets, web-fed offset presses print on a continuous roll of paper, the pages being cut to size and folded after having been printed. Therefore, these presses boast very high productivity. These presses are suitable mainly for high-quality, large-volume commercial printing matter such as magazines, ad inserts, etc.

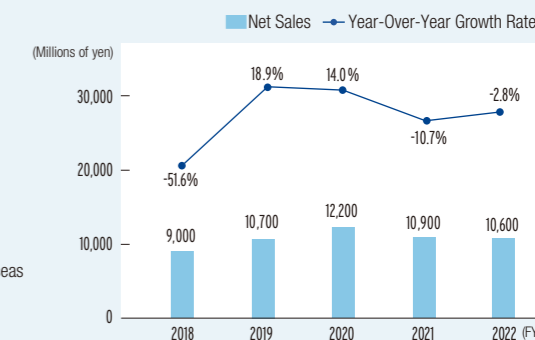


**CURRENCY IC**  
Multicolor Intaglio Press

• Overseas Sales Ratio



• Net Sales and Year-Over-Year Growth Rate



### Digital Printing System (DPS) Business Printed Electronics (PE) Business Others

With a digital printing press, digital-based images can be sent directly to the printing press to print. There is no need for a printing plate, unlike with offset printing. Because it takes only a short time to print after printing data is created, it is mainly used for short turnarounds and small print runs. It is then able to perform variable printing with customized information on each piece of paper, adding high value, including personalization and versioning, to satisfy the customer's printing needs. In addition, the printing press is easy to operate.

Printed Electronics (PE) refers to a technology for manufacturing electronic circuits and components using printing technologies. SERIA CORPORATION, a Komori Group subsidiary, is engaged in developing and manufacturing gravure offset printing machines (PEPIO Series) for the printing of fine lines with high quality and high productivity for the manufacture of touchscreens, such as those for smartphones, and screen printing presses for electronic components such as the MLCC.

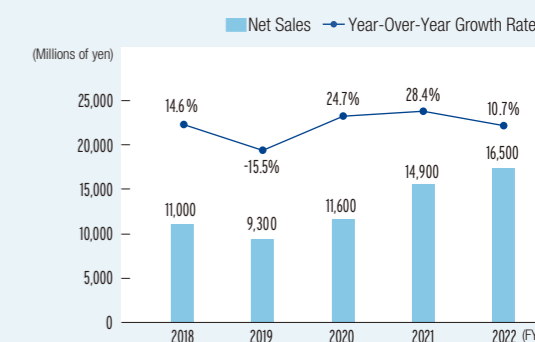


**Impremia NS40**  
40-inch Sheetfed Nanographic Printing® System



**PEPIO F6**  
Semi-Auto Gravure Offset Printing Press

• Net Sales and Year-Over-Year Growth Rate

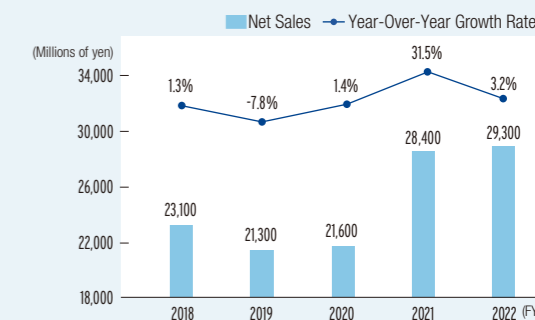


### PESP Business

Thus far, Komori has been expanding its business with a focus on printing machinery and maintenance services. In recent years, however, we are aiming at promoting the Print Engineering Service Provider (PESP) business to help resolve various issues our customers may face and at the same time enhancing the recurring income business. Its business domains include a broad lineup of digital printing systems, and preceding and subsequent processes, as well as printing-related materials such as ink and various parts.

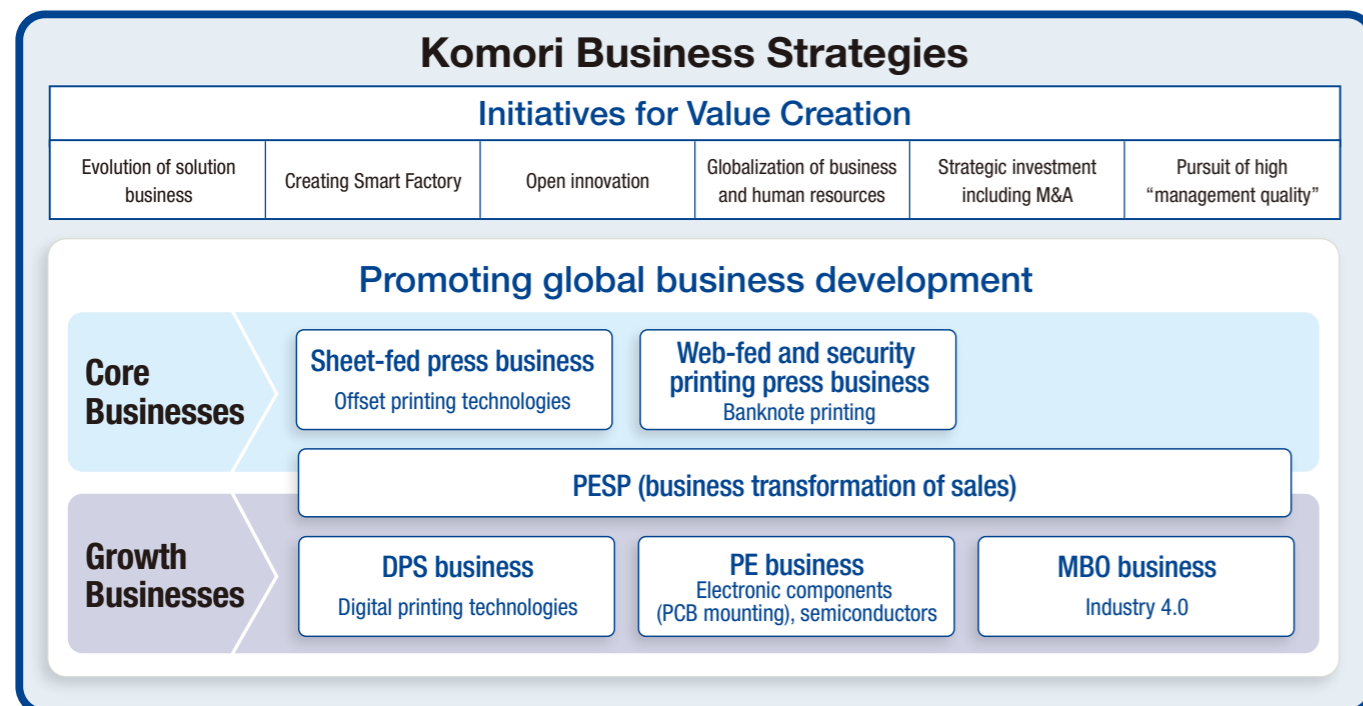


• Net Sales and Year-Over-Year Growth Rate



\*PESP sales consist of sales of PESP and services generated in each segment.

## Komori Business Strategies: Initiatives for Value Creation



### KGC-S / Komori Global Center – Security

Initiatives for Value Creation					
Evolution of solution business	Creating Smart Factory	Open innovation	Globalization of business and human resources	Strategic investment including M&A	Pursuit of high "management quality"

We opened the Komori Global Center-Security (KGC-S) in the premises of the Tsukuba Plant in October 2023. Komori has established a state-of-the-art facility to provide its security printing technology, fine-tuned over 65 years, to government agencies, printing companies, and their suppliers interested in banknotes and other areas of high-security printing. The facility has leading-edge equipment for printing demonstrations, training, R&D activities, etc.



KGC-S is founded on the concepts of "Power to the Print" and "Trust in Print." The foundational printing technology for banknote printing consists of offset printing, intaglio printing, and number printing. All of them are indispensable and important security printing technologies. Recent trends show cases where security devices effective for counterfeit prevention are also incorporated in addition to this foundational printing technology. Komori will further strengthen the foundational printing technology at KGC-S. However, the circulation of counterfeit notes continues unabated, underscoring the increasing importance of Komori's foundational printing technology. KGC-S is equipped with a banknote printing machine and system that can embody various security printing technologies. The facility has in place a structure where security printing experts address challenging issues faced by customers. Komori aspires to be a trusted name for government agencies, printing companies, and their suppliers worldwide through "Power to the Print" and "Trust in Print." And our goal is to deliver the world's safest and most trusted banknotes to people around the globe. Komori will continue to envision next-generation security printing technologies and engage in business activities to protect the identities of individuals, corporations, and nations. (Number of countries that introduced Komori's security printing presses is 36 as of March 2023. ▶ See Page 42)

### Printed Electronics Elemental Technology Development Center (PEDEC) established

Initiatives for Value Creation					
Evolution of solution business	Creating Smart Factory	Open innovation	Globalization of business and human resources	Strategic investment including M&A	Pursuit of high "management quality"

In positioning its Printed Electronics (PE) business as a growth initiative, Komori has established the Printed Electronics Elemental Technology Development Center (PEDEC) with the aim of coping with the rapid evolution in the electronics industry. The PEDEC is designed to build a foundation for the development of elemental technologies and enhance technological competitiveness. It has gone into operation since October this year.



The experimental area within the facility is equipped with a Class 1000 cleanroom, which requires a high level of cleanliness. Alongside our proprietary printing machines, various measurement and analysis instruments are installed, enabling us to not only conduct experiments and provide prototypes but also meet data requirements at the application level. Komori will utilize this center as a platform to promote open innovation through joint development with partner companies and industry-academia, continuing to explore the potential of PE technology.

### Synergies of KAC-MBO integration displayed in North American market

Initiatives for Value Creation					
Evolution of solution business	Creating Smart Factory	Open innovation	Globalization of business and human resources	Strategic investment including M&A	Pursuit of high "management quality"

We are promoting collaboration among the U.S. sales operations of Komori America Corporation (KAC) and of our subsidiary MBO, which handles post-press machinery, seeking to enhance our overall capabilities as a provider. We are advancing efforts to integrate MBO America's robotic arm system, "CoBo-Stack," with the core "advance Series ." Additionally, we are working on modular roll-fed finishing and other initiatives to connect localized optimizations into a holistic optimization system.

North America has seen early consolidation among printing companies in recent years and, coupled with the aging workforce of skilled labor, it is one of regions with particularly strong demand for automation and labor-saving machinery. Moreover, the region represents the largest direct mail market in the world, commanding 70% share. It is currently experiencing a resurgence in the adoption of digital printing machines tailored to this market. MBO America holds a prominent position as a key player in near-line devices for roll-fed digital printing machines. The company has not only excelled in the traditional combination of offset printing machines and folding equipment but also achieved a series of successful product introductions in the digital printing domain. Our comprehensive proposal for a Smart Factory, combining Japanese and German technologies, has been well received in the digitally inclined North American market. It is anticipated that opportunities for showcasing the effects of the KAC-MBO integration will further expand in the future.



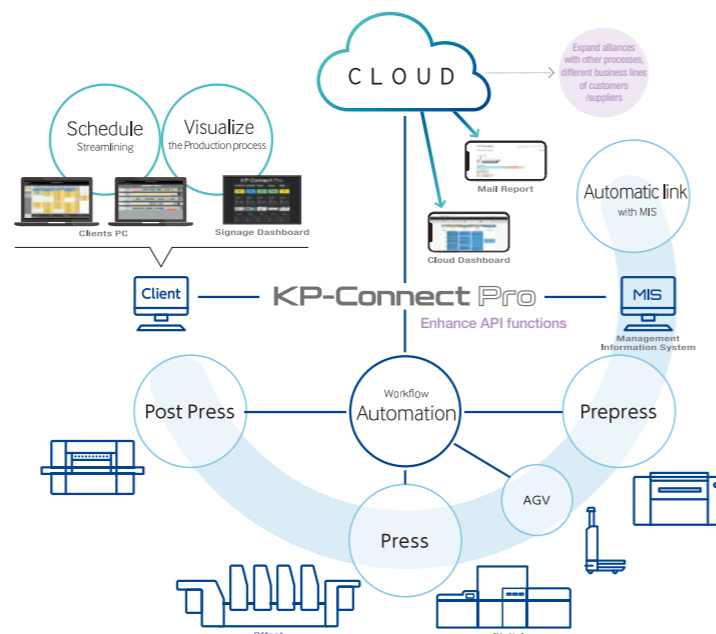
MBO Cobo-Stack + MBO A80 + MBO K8RS

### Enhancing corporate partnerships toward turning KGC into Smart Factory

Initiatives for Value Creation					
Evolution of solution business	Creating Smart Factory	Open innovation	Globalization of business and human resources	Strategic investment including M&A	Pursuit of high "management quality"

Komori is making headway in its efforts toward Smart Factory creation. We are advancing Connected Automation as a concept of connecting machinery and production systems equipped with labor-saving and automation technologies, with the concept built around KP-Connect as a central hub. Currently, KP-Connect's primary function is digital transformation (DX) to "digitize and visualize" analog management in factories. However, in February 2023, we announced an inter-company alliance with the aim of achieving the Smart Factory transformation of the entire printing workflow. A plan to design and develop KP-Connect's API is being put into shape to enhance the efficiency of paper transport using automated guided vehicles (AGVs) and to seamlessly connect with a broader range of processes, products, equipment, etc. We aim to enhance the value and functions of KP-Connect, realize an effective Smart Factory beyond corporate boundaries, and contribute to the DX of printing companies. Currently, 80% of KP-Connect users are domestic companies, but we plan to establish a cloud environment that can support companies in major foreign countries such as those in Europe and North America as well as China. We anticipate expanding the scope of our presence abroad in the future.

It is essential for our customers to actually experience these initiatives undertaken by Komori. The Komori Graphic Technology Center (KGC) goes beyond the traditional showroom function and has research and development capabilities for building solutions that enhance the added value of customers' factories. It is a facility where customers can experience these solutions firsthand. In order to enhance the productivity of a printing factory as a whole, Komori has digitally connected not only its printing machines but also equipment of allied companies, including from prepress to post-press and in-house logistics. This has realized the visualization, automation and streamlining of the production process in an easy-to-understand manner.



A scene of press conference in February 2023



# Komori's Global Development and Sales Strategy



▶ **Plants**  
 Domestic **4**  
 Overseas **5**

## Countries that introduced Komori security printing presses

The security printing press market is dominated by Komori and a German manufacturer at present. As our business model and strong financial foundation have been highly rated by governments around the world, the number of countries with which we have done business has reached 36 in the past 10 years, despite being a latecomer in the market. We will foray into other overseas markets as well in the future, taking advantage of our accumulated know-how.

▶ **Number of Trading Countries** approx. **90**  
\* Including countries under negotiation in 2023

▶ **Sales locations**  
\* Excluding the MBO Group  
 Domestic **14**  
 Overseas **74**

▶ **Net sales by region**  
(Millions of yen)  
 Domestic **32,275**  
 Overseas **65,639**

Trading countries  
 Countries that introduced Komori security printing presses  
 Headquarters  
 Plants  
 Komori Group

## Three Regional Business Headquarters

Interview with Group General Managers of each Business Headquarters

### Europe

Senior Managing Director,  
 Group General Manager of  
 European Business Headquarters  
**Eiji Kajita**

In the European printing industry, moves to abolish, consolidate and streamline printing companies and printing equipment have been spreading in recent years. This is attributed to ongoing challenges such as high inflation, including energy prices, and a shortage of skilled personnel as well as stringent environmental requirements.

In anticipation of the possibility that similar trends may occur in other regions as well in the near future, our headquarters' designers and local experts have proactively conducted market research, and we have established a framework to incorporate their findings into Komori's future product development.

Meanwhile, at Komori-Chambon (KCM), a French subsidiary with a competitive edge against major packaging companies, we are driving improvements in value we provide to customers, or return on investment (ROI), by equipping products with paper waste reduction technologies such as KHS-AI, thus significantly enhancing productivity and environmental responsiveness, among other things. Furthermore, Germany-based MBO will strive to build solutions to address the shortage of skilled personnel in industries like printing by enhancing its robot business and actively incorporating the latest digital technologies such as robotics, AI and image recognition.

In the future, we intend to achieve disruptive innovation with high added value, such as Komori's unique offerings like Smart Color printing technology, and take on other challenges so that we can eventually contribute to the printing industry and society as a whole.



### Greater China

Operating Officer,  
 Group General Manager of Greater  
 China Business Headquarters  
**Akihiro Komori**

China is the world's largest single market for offset printing machines, with approximately 500 units being sold annually. In recent times, there is a strong demand for machinery equipped with labor-saving and automation technologies against the backdrop of price competition in the printing industry and the rising costs of labor. In commercial printing, there are strong needs for automation and double-sided single-pass presses while in packaging printing, inquiries are growing for models that can handle larger format sizes. Meanwhile, amid mounting calls for the efficient streamlining of production management tasks at printing plants, customer interest is growing in software like KP-Connect, which facilitates the sharing of operational information and "visualizes" workflow management, leading to increased sales activities.

About 30 years have passed since Komori entered the Chinese market on a full scale. Many Chinese users have visited the Tsukuba Plant and Komori Graphic Technology Center (KGC) to acquire insights and expertise in production management. Due to its close proximity to Japan, China offers geographical advantages with convenient transportation, and the communication style is high-context. These factors enable businesses to progress advantageously when compared with overseas competitors. We will continue to maximize the utilization of our manufacturing facility in China, Komori Machinery Co., Ltd., and strive to expand the sales of our products in the Chinese market.



### America

Senior Operating Officer,  
 Group General Manager of  
 America Business Headquarters  
**Toshiyasu Kubotera**

In the United States, the world's largest economy, digital marketing has reached a saturation point, and there is a trend toward a resurgence in paper direct mail (DM), which has high viewership rates. This shift has led to an increase in demand for digital printing machines. In the realm of printing machinery, there is a concentration of printing needs on high value-added products that are not easily replaced by digital media, and inquiries are increasing, particularly in growing areas such as the printing of packaging and trading cards.

Our company can provide technology that allows for single-pass printing on both sides with fast drying, tailored to the specific configurations and sizes for each segment. This capability significantly enhances the productivity of printing plants. In commercial printing, there are a growing number of cases where two to three existing machines are replaced with our products. This has become a prevalent sales model in North America. In packaging, the single-pass capability allows for excellent print registration without flipping the paper, maintaining high printing speeds. This results in a significant reduction in paper costs. In the future, we aim to promote the widespread adoption of KP-Connect and complete automation of printing machines, working toward the swift realization of Komori's Smart Factory.

Furthermore, North America is the home base for semiconductor-related companies, and we anticipate growth in the sales of our SERIA products in the same field. We are reviewing our sales structure and striving to strengthen access to key players in the regional market.

