

Current Tendency of Japanese Printing Industries and Future Direction needs to Shift Towards

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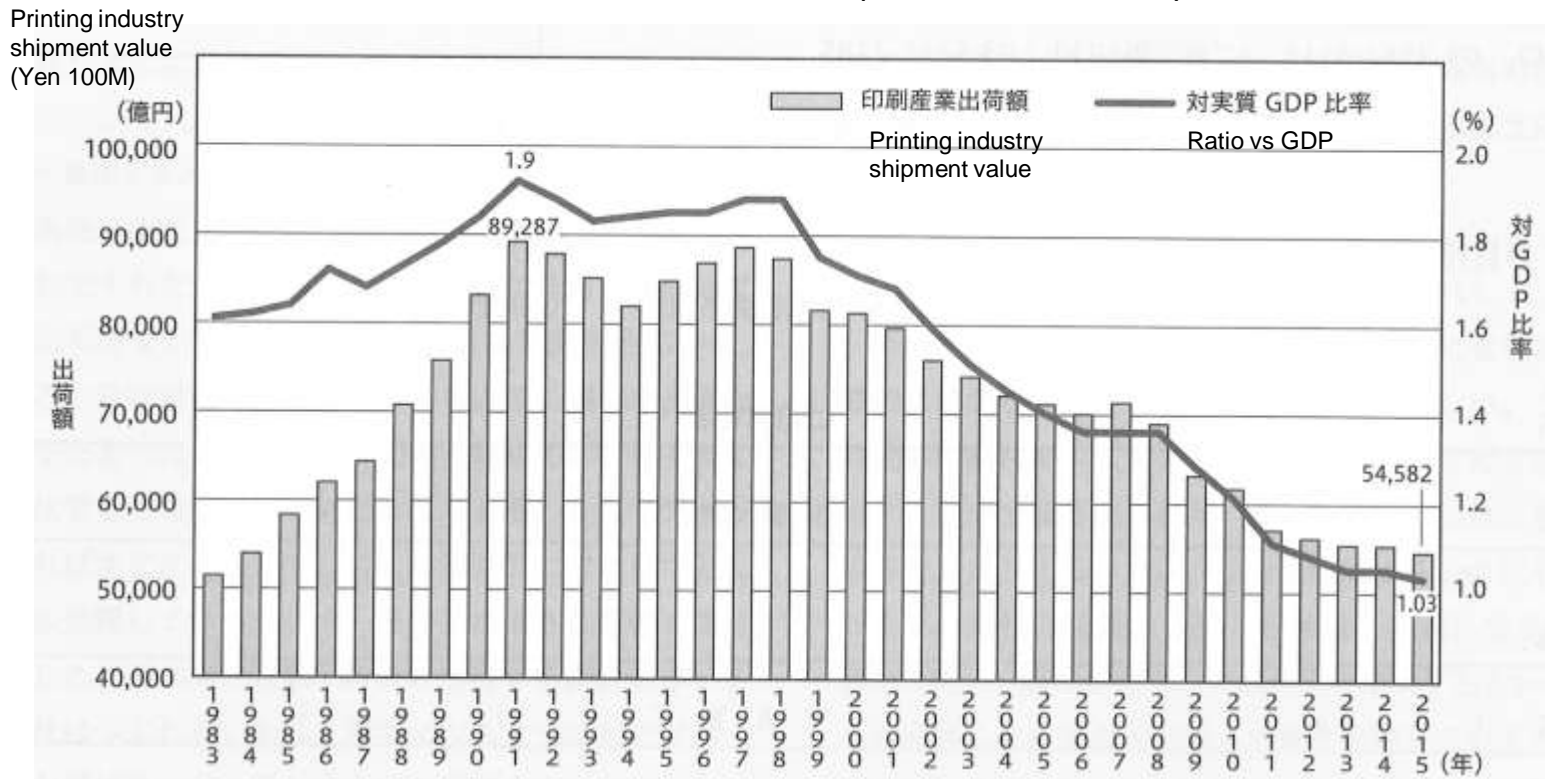
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1. Tendency of Japanese Printing Industries

- Printing market has been kept declining but recent declining trend is getting more mild.
- Printing industry vs GDP ratio: 1991 1.9% with US\$81B
2015 1.03% with US\$49.6B (61% of 1991)
(\$1.00=Yen110)

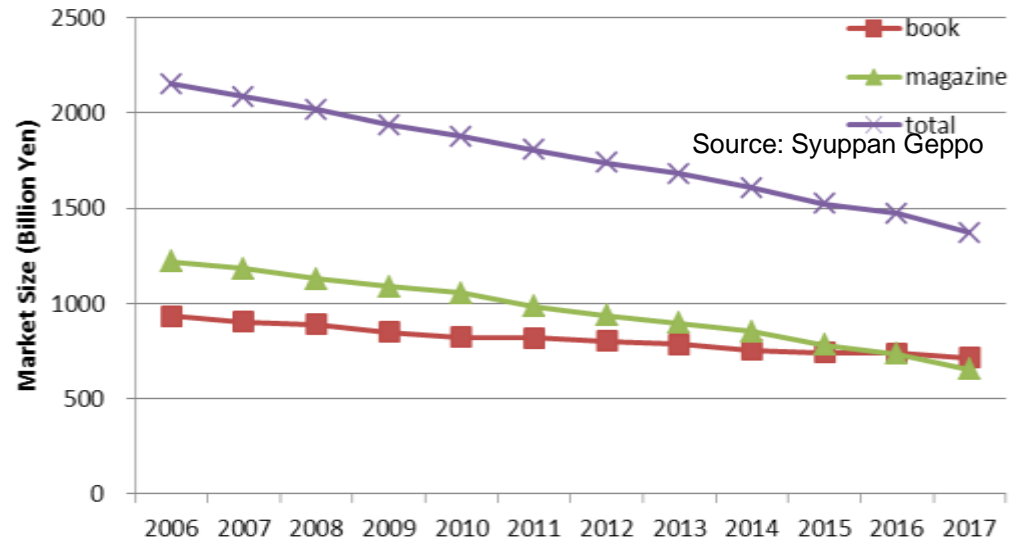


Source: JAGAT

2. Tendency of Publishing Market

- Sharp decline for the sales of magazines and the that of books exceeded in 2017 first time in long history
- Magazines has been stable source of income for publishers and book stores. Its decline is deep concern for publishing industry economic system.

Paper Books /Managines Trends



3. Tendency of Advertisement Markets

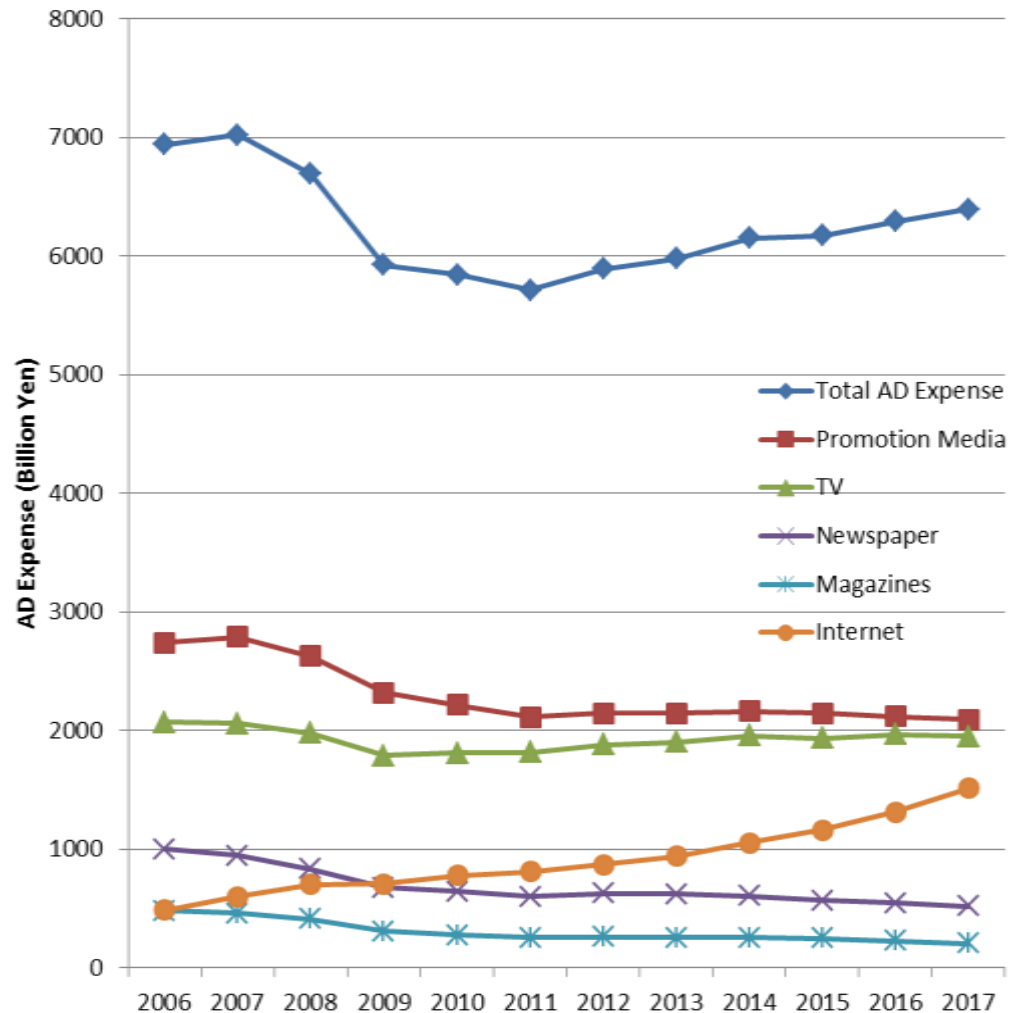
- Advertisement market experienced sharp decline after 2008 because of Lehman Shock but after 2011 they started to recover.
- Promotion media has been stable after 2011 after Great East Japan Earthquake
- Strong growth in internet and constant decline in newspaper and magazine.

	2006	2017	2017/2006
Newspaper	998.6	514.7	51.5%
Magazines	477.7	202.3	42.3%
Internet	482.6	1509.4	312.8%

Unit: Billion Yen

Note: Promotion media include outdoor ad, transportation ad, newspaper insert, DM, free paper, POP, tel directory, exhibition etc.

Trends of Advertisement Expenses



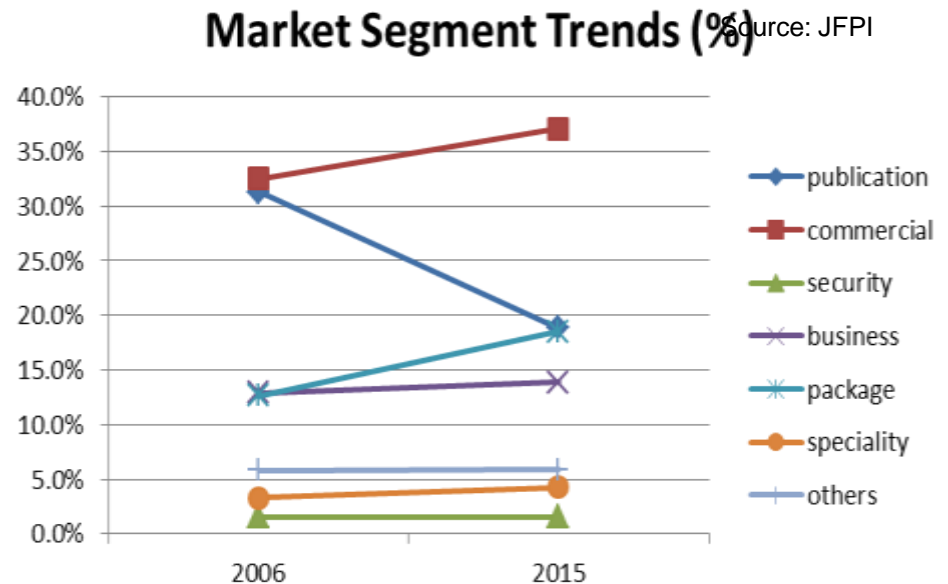
Source: Dentsu

4. Tendency of Market Segments for Printing Industries

Comparing 2006/2015

- Publication market decline drastically.
- Commercial and packaging market increase its share.

	2006	2015
Publication	31.3%	18.8%
Commercial	32.5%	37.1%
Security	1.6%	1.5%
Business Form	12.9%	13.9%
Package	12.7%	18.5%
Specialty	3.3%	4.3%
Others	5.8%	5.9%



6. Overview for Japanese Economy and Japanese Printing Industry for 2020

1. Increase of energy and transportation cost
2. Working Style Changes that is generated by Work Life Balance
3. Lack of the labor
4. Fundamental demands for printing gradually keeps declining as recent trend and it is inevitable.
5. The continuous decline of the entire sales amount of printing industry makes the profitability of printing business worse and force it to keep low profitability.
6. Serious lack of the paper in the market that is caused by the merges of paper mills elevates the paper prices.

7. Paradigm Shift happening in Printing Industries

In the past:

- Printing was most cost effective media for “mass” distribution.
- There were plenty of product catalogues, newspaper inserts, thick mail order catalogs, free papers etc. for “mass” distribution.
- Printers needed efficient production machines for “mass” production.

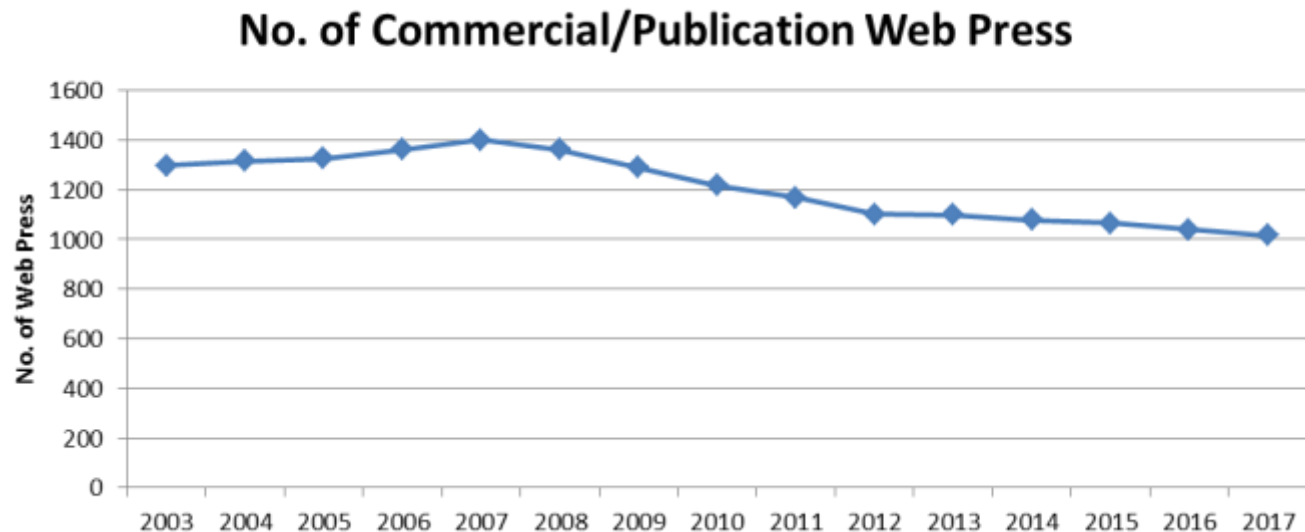
After emergence of internet & smartphone:

- Electronic media become most cost effective means of mass distribution. It can convey text, image, sound and movie directly to targeted customer without any postage.
- Print become an expensive tool for communication ... but maintained trust from customers.
- “mass” production of printed matters is now very rare and many print tends to be more targeted and focused – requires efficient small lot production.
- Print volume will keep decreasing and printers are required to add more value to print for its client.

Shift to smaller lot and faster turnaround time by making the most of the latest innovative technology

8. Result of Paradigm Shift in Printing Industries

- Adapting to smaller demands for print, production capacities of many printing companies have been reduced. In case of the commercial and publication web offset press installation numbers, it was 1,402 in 2007 and 1,016 in 2017.
- New investment is more targeted to improve efficiencies but not targeted to volume increase.



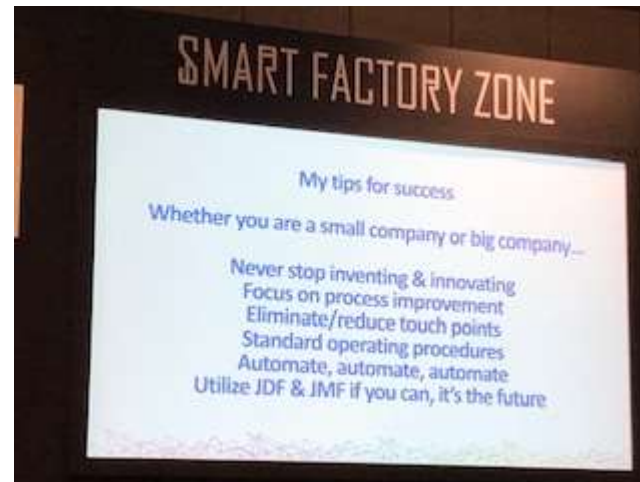
9. Sustainability and Quality

- Consideration for Sustainability is something that appeals to your clients. However, very unfortunately, the reality is that they won't be willing to pay extra for such. Moreover, it would not be the critical factor to make a decision for printing company. Yet, it is obvious sustainability is something that needs to be cared globally.
- Needless to say, Quality is an important. It may be one of factors for your clients to decide a printing company. However, your client would never be willing to pay double for high quality.



10. Automation for efficiency

- Automation to eliminate or reduce touch points are effective for printing companies, but it is not a value for your clients. However, automation may realize the labor cost reduction and may realize to shorten turnaround time of the production for your own. This way, you may use Fedex ground service instead of air freight.
- The amount of cost saving generated from the delivery might be more significant as compared to smaller profit margin acquired from printing or binding costs.



11. Challenges for Printing Industries

▪ Smart Factory

Demand for variable & smaller lot production and quick delivery, printing companies are required to improve their total production efficiencies. Simply providing print service to client cannot provide the added value or differentiation to the client. It will be always price competition.

Automation is required to save the total production cost including delivery.

Smart Factory is one of the ways to improve the profitability. Smart Factory is not something required by Japanese market but every market including India

It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.

By Charles Darwin