

Value Chain Procurement, Production, and Distribution

Pursuing optimization throughout the supply chain while enhancing cost competitiveness and practicing environmental conservation

Procurement optimization

To ensure cost-effective, stable procurement, Konica Minolta builds procurement ICT infrastructure and ensures optimal procurement logistics from a global perspective, while at the same time analyzing market changes such as exchange rate and raw material cost fluctuations and industry restructuring, then applying the knowledge gained to procurement activities.

Key to success here is engaging in Procurement Collaboration to mutually improve business conditions with business partners in order to build sound relations with them. In fiscal 2014, Konica Minolta worked with its suppliers to launch Green Supplier Activities. These activities aim to reduce costs and environmental impact by providing business partners with Konica Minolta's environmental technologies and know-how.

We also address supply chain risks such as those involving labor and human rights by conducting CSR procurement and conflict mineral surveys.



On-site assessment conducted through Procurement Collaboration

An efficient production system

At Konica Minolta, key parts and items that use Konica Minolta's proprietary technologies such as toners are primarily manufactured in Japan. Our manufacturing contractors in Asia make the general parts and units, and China and Malaysia handle final assembly. This system improves equipment production efficiency and quality. Our Chinese facilities have achieved high production efficiency by leveraging expertise gained through 20 years of experience. To hedge the risk of overconcentrating production sites in China, we set up a new production facility in Malaysia in May 2014 and expanded the range of products procured in ASEAN countries.

With the goal of further improving efficiency, we have expanded modularity with a universal product platform that utilizes our development technologies and have dramatically reduced part and assembly costs. Going forward, we will seek to avoid reliance on people, places, countries, and fluctuation and aim for even better productivity by utilizing digital manufacturing (see pg. 14 for more details) that combines ICT and automation technologies.

Upgrading our supply chain management

Konica Minolta is building a unique system for centrally managing inventory data from production to sales. This has facilitated inventory optimization and shortened distribution leadtimes worldwide, and allowed market demand to inform production plans. Furthermore, in recent years we have raised the level of our supply chain management by implementing the concept of Sales & Operation Planning (S&OP), which involves integrating business operation plans for procurement, production, distribution, and sales based on demand and supply planning.

We have also optimized shipping efficiency by establishing distribution centers in five key regional markets—Europe, North America, Japan, China, and ASEAN—and consolidating routes for getting products from production sites to markets.

To give a specific example of the success of these supply chain initiatives, we were able to increase inventory in advance and switch our unloading operations to the east coast when port functions were disrupted on the west coast of the U.S. in 2014 due to breakdowns in labor-management negotiations. These efforts allowed us to avoid lost sales opportunities.

Focused Topic

Green Factory operations

Konica Minolta's Green Factory operations aim to both reduce environmental burden and cut costs through environmental conservation activities in line with the production strategies of each business. An example of this is how Konica Minolta Business Technologies (Dongguan), which manufactures MFPs and other products in the city of Dongguan in Guangdong Province, China, is achieving significant energy savings by improving the heating methods of its forming machines and re-examining freezer temperature settings.

FY2014 reductions (compared to FY2005)

| | |
|---------------------------|----------------|
| Cost reduction | ¥5,264 million |
| CO ₂ reduction | 84 ktons |
| Waste reduction | 15 ktons |