

Production and Procurement Strategy

Ryuji Kamata
Senior Vice President &
Executive Officer

Our ultimate vision for manufacturing is manufacturing that is independent of people, locations, countries, and fluctuations. We had previously put forward this idea, but we withdrew it in response to the sudden changes in the business environment caused by the COVID-19 pandemic. However, since then, rising geopolitical risks, the spread of protectionism in various countries, and the emergence of natural disasters and cyber risks have made supply chain disruptions and supply uncertainties real business challenges. In light of these circumstances, we have determined that it is necessary to clearly articulate this approach once again. In an era defined by constant change, we believe that resilient manufacturing—unaffected by external circumstances—is the foundation that supports our ability to deliver value to our customers.

To achieve this, we will steadily move forward with the decentralization of production sites and the diversification of our supply chains, while leveraging digital technology to enhance on-site capabilities and productivity, building a structure capable of responding flexibly to changes in the business environment.

And while we strive to achieve high standards across all SQDCEF areas (Safety, Quality, Supply, Cost, Environment, and Finance), our unwavering commitment to prioritizing safety above all else remains the foundation of this effort. With the establishment of a safety culture and the achievement of zero accidents as our starting point, we will holistically advance quality improvement, supply stability, and enhanced cost competitiveness, evolving toward manufacturing that can sustainably create value.

Results of the Medium-term Business Plan (2023-2025) and Future Policy

Under our Medium-term Business Plan (2023-2025), to address an increasingly uncertain business environment, we have been strengthening our production and procurement infrastructure, focusing on geopolitical risk management, ESG, and continued enhancement of SQDCEF.

Production Sites: Strengthening the Supply Chain Through Decentralization

We are reorganizing our production sites, including the cessation of production at our main factory in China within the Business Technologies Business and the transfer of a factory in connection with a portfolio review in the Optical Components Business. We have established a decentralized production system that combines China, ASEAN, and Japan. As a result, we have enhanced our ability to adapt to changes in the external environment, such as tariffs, various regulations, and logistics, and have maintained and strengthened our competitiveness.

Procurement: Optimizing Global Procurement and Strengthening BCP measures

In addition to diversifying and regionally decentralizing the procurement of critical components and strengthening our BCP (Business Continuity Plan) measures, we have worked to enhance our resilience against supply disruption risks and improve our stable supply system through initiatives such as the establishment of a procurement joint venture with FUJIFILM Business Innovation Corp.

ESG: Building Sustainable Supply Chains

We have strived to balance business continuity with social trust by promoting responsible procurement that takes human rights, labor, and the environment into consideration, and by strengthening our human rights initiatives throughout the entire supply chain, including compliance with the RBA (Responsible Business Alliance). (see [page 61](#))

Production Technology: Accelerating Manufacturing Innovation Through the Integration of On-Site Capabilities and Production DX

By promoting the adoption of automation and labor-saving

technologies, as well as process innovations, we have achieved improved productivity and consistent quality on a global scale. In addition, by strengthening our ability to handle small-lot production and refining our launch processes, we have enabled rapid rollout and stable operations. Furthermore, with regard to DX, we have moved into the phase of expanding its impact through horizontal rollout via implementation on production floors.

Human Capital: Optimal Allocation and Strengthening of Production Human Capital

To strengthen our operational capabilities within our globally distributed structure, we have been working to secure and reassign talent who possess both on-site improvement skills and digital skills. At the same time, to enhance the organizational capabilities that support production and procurement reforms, we worked to accumulate and pass on the know-how of our veteran employees.

Challenges and Future Directions

However, optimizing the operation of our decentralized global structure, advancing data utilization, further enhancing human capital development, and responding swiftly to changes in the external environment remain key challenges. Going forward, we will further develop these initiatives with the goal of establishing a resilient production and procurement infrastructure that is independent of people, locations, countries, and fluctuations. With a theme of strengthening the human capital that underpins this foundation, we will strive to continuously enhance our competitiveness.

Strengthening Procurement BCP

In an increasingly uncertain business environment, Konica Minolta has identified procurement as one of its key areas for risk management and is promoting three key initiatives: diversified sourcing, supply chain DX, and procurement joint ventures.

As part of our diversified sourcing initiative, we are working to mitigate the risk of supply disruptions associated with a single-source procurement structure by implementing dual sourcing (primarily for critical components), utilizing alternative materials, and exploring alternative supply options through OEMs. This reduces dependence on specific suppliers and regions, and, when combined with our inventory policy, enhances our ability to respond to fluctuations in supply and demand.

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Through supply chain DX, we are building a system that centrally visualizes information on inventories, supply and demand, and supply risks, enabling early response through alerts, and thereby advancing the sophistication of procurement risk management.

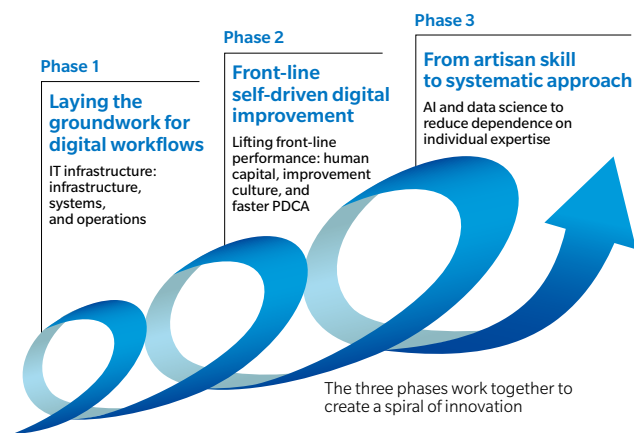
In addition, as for procurement JVs, we are collaborating with FUJIFILM Business Innovation Corp. to promote joint purchasing, standardization of components, and integration of supply chains, thereby generating economies of scale. This approach allows us to achieve both cost reduction and supply stability, while also strengthening our ability to address risks that would be difficult to manage alone by jointly securing key components and exploring alternative supply sources.

Through these initiatives, we are enhancing our ability to respond to geopolitical risks, resource and logistics uncertainties, and market fluctuations, and are working to build a supply chain that is resilient to change.

Production DX Initiatives

Konica Minolta's production DX is an initiative that combines the improvement capabilities honed on the shop floor with digital technology to evolve into a system that enables anyone to achieve stable, high-quality production.

The big picture of production DX: A story of evolution



Phase 1 provides the IT base, while Phase 2 drives front-line self-driven DX (1 Step by 100 People), and Phase 3 drives expert-led DX as two parallel tracks (100 Steps by 1 Person)

We combine two approaches: "1 Step by 100 People," grassroots, self-driven DX where small improvements are made on the frontlines, and "100 Steps by 1 Person," expert-driven DX that uses data analysis to derive optimal conditions. By bringing these together, we are scaling individual insights into organization-wide optimization.

Production DX Concrete Initiatives

Under "1 Step by 100 People," frontlines employees themselves identify waste in their operations and are driving automation using RPA and low-code tools. For example, we have automated tasks such as manual aggregation of procurement data and expense processing, reducing the work of those in charge to simply checking the data. By horizontally deploying these improvements under frontlines leadership, we are achieving both operational standardization and man-hour reduction.

Meanwhile, under "100 Steps by 1 Person," we are achieving advanced optimization through data-driven approaches. For example, in the manufacturing of magnetic function rollers used in multi-functional peripherals within our Business Technologies Business, we have made it possible to optimize the manufacturing condition settings (which previously relied on the

experience of skilled veterans) through analysis of production data and quality data. As a result, we have significantly reduced the number of trial-and-error cycles and made it possible to achieve stable quality in production.

In the production of optical films for performance materials, we have consolidated and visualized data on material properties and manufacturing conditions, enabling us to detect variations that we could not see before. This allows us to detect signs of defects and link them to quality improvements.

By combining frontline improvements with data, we are transitioning from experience-based manufacturing to reproducible manufacturing.

Going Forward

Konica Minolta has confronted numerous external challenges, from the COVID-19 pandemic and semiconductor shortages to geopolitical instability. Through these experiences, we have realized the importance of transitioning to a manufacturing model that anticipates change, rather than just continuing along the old path. Drawing on these experiences, we will merge frontline expertise with digital technology through production DX, review our supply setup for overall optimization, and build more resilient supply chains.

Voice Manufacturing and Procurement Operations Manager

AI-amplified Frontline Capabilities, Turning Artisan Skill into Systems



Kenichi Kadena

**Production and Procurement Group
Digital Workplace Business Headquarters
KONICA MINOLTA, INC.**

The foundation of our manufacturing strength has always been the experience and know-how developed by our frontline teams over many years. However, given the increasing shortage of skilled workers, we can no longer afford to depend entirely on frontline judgment based on experience and intuition to keep our production running. We must use AI

to make decision-making more repeatable even in hard-to-rule areas, and build a system that adapts flexibly to change.

To tackle this issue, we have been using data science and AI to enhance decision-making based on numerical data, including optimizing manufacturing conditions and production and logistics planning. More recently, we have also been codifying the experience and judgment of our seasoned experts, turning tacit knowledge into a formal organizational asset. This allows us to fuse areas that can be expressed numerically with linguistic domains such as human experience and wisdom. Our current AI efforts are not a set-it-and-forget-it exercise. We will continue to evolve our manufacturing by continuously reviewing and updating our processes in response to change, and by leveraging AI even in the processes of building and updating those systems themselves.