KONICA MINOLTA

News Release

Konica Minolta to Accelerate Digital Transformation through Global Optimization in R&D and Production

-Efforts in Japan Build on Its Strengths in Imaging IoT R&D and Equipment & Device Production Infrastructure-

Tokyo (December 6, 2018) – Konica Minolta, Inc. (Konica Minolta) today announced that it will integrate and reorganize some of R&D and production functions in Japan where those functions have been located in multiple facilities and sites. The initiatives are part of acceleration in the digital transformation the company has been pursuing to globally optimize R&D and production activities and bring higher value to its businesses.

- Strengthening R&D in Imaging IoT, Konica Minolta will add a new building to an existing R&D campus (Takatsuki Site, Osaka) so that the core R&D human resources work more closely. Further, a new satellite office will be opening in Umeda, Osaka, to drive open innovation.

- In reorganizing equipment and device production sites in Japan, three manufacturing subsidiaries*1 will be merged. A new factory will be built in Mikawa Site (Toyokawa City, Aichi).
  *1 Konica Minolta Mechatronics Co., Ltd. (BMME), Konica Minolta Opto Products, Co., Ltd. (OOP), Konica Minolta Opto Device, Co., Ltd. (OOD)

- As the mainstay of the company's core businesses, Office business will reorganize development and customer support functions, aiming to enhance the quality of customer experience and deliver higher added-values through digital technologies.

- Aligning with the company's CRE*2 strategies, some facilities that eventually have less roles and responsibilities, as the integration and reorganization make progress, will be closed in 2020 and going forward.
  *2 CRE: Corporate Real Estate

Global Optimization in R&D and Position of R&D in Japan

To its global sites and facilities, Konica Minolta assigns functions that leverage the unique strengths of the region they are in and optimize their roles for the Konica Minolta Group.

In the R&D, the United States have competitive strengths not only in cutting-edge R&D and alliance with partners around ICT (information communication technologies) sector but also in advanced bio-healthcare technologies. Konica Minolta will continue to focus on new technology development that takes advantage of the strengths.

As Europe has seen flourishing industry-academia collaborations and progress of Industry

4.0, the company will expand application software development for innovative customer value proposition.

In Japan, Konica Minolta's strengths are in the power to develop platforms, both in hardware and software, with the core R&D capabilities in Tokyo Site Hachioji. Further, in Osaka and surrounding western areas, the company has facilities and human assets to develop Imaging IoT*3 that takes advantage of its skills and assets in imaging AI and high-speed processing technologies. With Imaging IoT at the core of growth driver for IoT and data businesses it has been fostering, Konica Minolta will significantly enhance its development power by opening a new R&D building in Takatsuki Site in 2020 as the full-fledged Imaging IoT R&D center. In addition, the company will be opening a satellite office in Umeda area, the center of Osaka, to drive open innovation.

*3 Imaging IoT: technologies that analyze image data and information from various sensors by utilizing AI, including deep learning, to assist decision-making and judgement in a variety of workplaces

Global Optimization in Production and Position of Production in Japan

Mainly for the Business Technologies and Optical Component businesses, Konica Minolta's primary factories are located in China. As challenges such as rising labor costs started to emerge, production outside China has increased. In May 2015, Konica Minolta launched full-scale operation at the new Malaysian factory which spearheads the company's digital manufacturing as cutting-edge product assembly factory to lead the Group and further expands its functions, in addition to the transfer of production from China. Furthermore, some consumables are being manufactured in factories in the U.S. and Europe to drive local production for local consumption for shorter lead time, inventory reduction and currency hedging.

In Japan, factories have been implementing the company's digital manufacturing concept and rolling out technologies to other Group facilities while actively performing their roles in prototyping and small-quantity production of parts, units and products that require high-level techniques. The leading-edge and highly precise production technologies are instrumental in enabling such difficult manufacturing in the factories in Japan.

Aiming to perform even richer roles, three equipment and device manufacturing subsidiaries in Japan (BMME, OOP and OOD) will be merged on April 1, 2019. In an effort to achieve "manufacturing independent of people, place, country and variation," Konica Minolta plans to create a new "manufacturing workplace in the IoT era," by opening a new factory in Mikawa Site around October 2020. BMME's Odabuchi headquarters (Toyokawa City, Aichi) and Ueda factory (Toyohashi City, Aichi) will transfer their functions to the new factory. The mission of the new factory is to realize highly efficient manufacturing of assembled equipment in small quantity while eliminating losses in the production lines and in-house logistics. Furthermore, Konica Minolta will be considering renovation in OOP's Fuefuki Factory (Fuefuki City, Yamanashi) for transferring functions of BMME's Tsuru Facility (Tsuru City, Yamanashi).

Reorganization in Development and Customer Support Functions in Office Business, Mainstay of Core Businesses

As the mainstay of the company's core businesses, the Office business will reorganize its development and customer support functions, aiming for creating and innovating factors, with speed and urgency, that can further enhance customer experience and increasing added

values with digital technologies. The customer support function for the Office business currently located in Itami Site (Itami City, Hyogo) will be transferred to Toyokawa Site (Toyokawa City, Aichi). Additionally, the company has been considering transfer of the controlling technology development function, currently located in Mikawa Site, to Mizuho Site (Toyokawa City, Aichi) so that the development functions for the Office business are integrated into the two sites (Toyokawa Site and Mizuho Site) located in close proximity. The functional integration will bring skilled human resources together to further enhance collaboration among organizations and promote offering higher added-values in a dynamic culture with diverse human resources.

Optimization of Assets in Japan under Global CRE Strategy

Under the global CRE strategy, Konica Minolta has been working on facility optimization both in Japan and abroad for strengthening its businesses and functions. The initiatives include utilization of corporate real estate, site integration and optimization of facilities and assets. While the integration and reorganization of R&D and production functions in Japan will lead to new openings of an R&D building in Takatsuki and a factory in Mikawa, Itami Site and BMME's Odabuchi headquarters, Ueda and Tsuru locations will be closed in 2020 and going forward because they will eventually have less roles and responsibilities with the progress of functional reorganization.

###