

CORPORATE GOVERNANCE

Konica Minolta recognizes that strengthened corporate governance is a key management issue and is working to clarify the functional separation of management supervision and management execution, while at the same time working to strengthen the functioning of each to achieve fair and highly transparent management.

The separation of the executive and supervisory functions is accomplished by a committee-based governance structure that includes an Audit Committee, a Nominating Committee and a Compensation Committee that are part of the Board of Directors, through which the Group is working to enhance transparency and fairness, while at the same time working to speed up the decision making process.

The supervisory function of the board is ensured because the majority of the board members are non-executive directors. A total of seven individuals out of thirteen board members are directors without executive functions, including four outside directors, two directors that serve as committee members, and one director that serves as chairman of the board. The other six board members hold executive positions that serve as the president and CEO, and executive officers respectively in charge of corporate strategy, accounting and finance, compliance, technology strategy, and the Group's largest business company.

In addition, outside directors chair each committee. Moreover, as the president and CEO does not belong to any committee, we believe this provides for a very advanced and highly transparent governance structure.

The Nominating Committee is responsible for the selection of new director candidates based on predetermined selection standards and reviews the process and reasons for the selection of executive officers before candidates are voted on by the Board of Directors. Moreover, the criteria for the selection of outside directors include that the candidates have a track record and insights into their respective fields of expertise, are strongly independent, have no important business relationships with the Group and are able to devote sufficient time in performing their duties as a board director and a committee member.

The Compensation Committee determines policies regarding compensation decisions, and based on these policies, determines monetary and other compensation for directors and executive officers. The aim of the directors' compensation system is to increase the motivation for directors to strive for the continuous medium- and long-term improvement of Group performance in

line with management policies to meet shareholder expectations, and in addition to aim at maintaining a continuously high level of capable director talent even when compared to other companies in the same industry, thereby maximizing the value of the Group as a whole. Director compensation packages consist of a "fixed compensation" component and long-term incentives in the form of "stock remuneration type stock options" (outside directors receive only "fixed compensation"), while executive officer compensation packages consist of a "fixed compensation" component, "performance-based compensation" as a short-term incentive and "stock remuneration type stock options" as a long-term incentive.

The Audit Committee supervises executive management decisions and where necessary advises corrective measures in reviewing the applicability and appropriateness of internal control systems, in addition to strictly reviewing the Group's independent auditors.

In order to strengthen internal controls, a Corporate Audit Division, a Risk Management Committee and a Compliance Committee have been established. The executive officers supervising these organizations report on the status of their activities to the Audit Committee.

As the Corporate Audit Division is in charge of internal audits of the Group, the division evaluates and improves the status of operations for the Group's business activities as a whole to determine what is both legitimate and rational.

The Risk Management Committee is responsible for managing the various risks inherent in the Group's business activities, and an executive officer designated by the Board of Directors is responsible for maintaining the Group's risk management system.

The Compliance Committee is tasked with ensuring that legal, corporate code of ethics and company regulations are observed, and an executive officer designated by the Board of Directors is responsible for maintaining the Group's compliance system. The Group has already established the "Konica Minolta Group Charter of Corporate Behavior" and has created compliance guidelines called the "Konica Minolta Group Compliance Guidelines". In addition, a compliance help line has been established as a contact point for consultations regarding compliance for the entire Group.

Through such initiatives, Konica Minolta is working to implement a highly transparent governance system that enhances corporate value.