

## Corporate Governance

Prioritizing corporate governance as an important management matter, Konica Minolta has separated management supervision and execution while reinforcing these roles to ensure fairness, transparency, and efficiency.

We separated oversight and implementation by deploying a company-with-committees system that includes the Audit, Nominating, and Compensation committees, which are integral to the Board of Directors. These bodies help us operate more transparently and fairly and accelerate decision-making.

We have seven non-executive directors on the 13-person Board to ensure proper supervision. These directors include four outside directors. Of the three internal non-executive directors, two also serve on committees and the third chairs the Board. The other six Board members have executive positions, including the President and CEO, executive officers in charge of corporate strategy, accounting and finance, technology strategy, and compliance, and the Group's largest operating company.

All committee chairs are outside directors, rounding out a very advanced and transparent governance structure. Attendance among the four outside directors at the 12 Board meetings and three committees in the fiscal year ended March 2008 averaged more than 90%.

The Nominating Committee chooses outside director nominees for the Board, assessing their professional records and visions, ensuring that they have done no material business with the Group and are strictly independent from the Company. Other requirements are that candidates can devote sufficient time to Board and committee duties. The Nominating Committee's rules encompass independence standards for outside directors and a principle limiting their terms.

We have nominated outside directors with top corporate management experience to date, as we consider such people ideal for monitoring executives and for being able to make important management decisions on the Board.

The Compensation Committee maintains a system for directors and executive officers to attract and retain talented people and better motivate them to consistently improve results over the medium and long terms to satisfy shareholders and optimize Group value. Inside director compensation comprises base salary and stock compensation to encourage long-term performance. The remuneration of outside directors is base salary only. Executive officer incentives intentionally exceed the average for Japanese companies. The target composition of executive officer packages is 60% in base salary, 20% in

short-term performance-based cash bonus, and 20% in stock compensation. We maintain a guideline on own shareholdings for internal directors and executive officers.

The Audit Committee evaluates whether executive management decisions are legal and efficient, reviews internal control systems, and assesses and chooses accounting auditors. The Audit Committee Office provides assistance and functions as a secretariat.

The Corporate Audit Division, Risk Management Committee, and Compliance Committee are integral to the internal control system. Each body reports regularly to the Audit Committee. Each must swiftly inform the committee of pressing issues and responses and otherwise act at the committee's behest. The Audit Committee can send representatives to executive meetings or other key gatherings. Those people can request executive officers overseeing the Corporate Audit Division, Risk Management Committee, and Compliance Committee to conduct research or prepare reports.

Company auditors at all Group business companies and common function companies keep in close contact with the work of the Audit Committee.

The Audit Committee, Corporate Audit Division, and all the other company auditors collaborate to improve their quality and efficiency without compromising their independence.

After completing company internal auditing, the Corporate Audit Division sends its audit report to the CEO and the Audit Committee. The Audit Committee, the Corporate Audit Division, and company auditors convene a quarterly Konica Minolta Group Audit Liaison Conference to share information, knowledge, and experiences to enhance auditing accuracy.

The Audit Committee can require the Corporate Audit Division to audit a specific subject.

We instituted the Konica Minolta Group Compliance Guidelines to ensure adherence to laws, regulations, corporate ethics and internal regulations in all business activities, thereby boosting corporate value and securing stakeholder trust. We also have in place a compliance officer and supporting department, maintain a Compliance Committee, and set up a Group compliance hotline.

Other initiatives to ensure transparent governance and improve corporate and shareholder value include directors' annual reviews of all Board and committee activities and discussions between outside directors, the Chairman of the Board, and the President and CEO.