CORPORATE GOVERNANCE

APPROACH TO CORPORATE GOVERNANCE

The Konica Minolta Group is continually working to strengthen its business and respond to the diverse expectations of society with the aim of increasing corporate value. The Group believes that the essence of good corporate governance lies in creating a system which enhances management transparency, and in being accountable to all shareholders, investors, and other stakeholders. With that understanding, Konica Minolta has established a management structure that responds flexibly to changes in the market environment to allow more timely, appropriate decision-making on matters such as restructuring. The Group also continues to improve its corporate governance functions to ensure greater management transparency and soundness.

In 2000, Konica Minolta introduced an executive officer system, which clarified the separation of management's supervisory and execution functions. The introduction of the executive officer system also strengthened the supervisory function of the Board of Directors, and expedited business execution. Since 2002, Konica Minolta has appointed highly independent outside directors to its Board, which has further increased the objectivity of its supervisory function. Further, with a management integration in 2003, the Group adopted a holding company framework and shifted to a company-with-committees system.

MANAGEMENT AND GOVERNANCE STRUCTURE

To strengthen its management supervisory function, and expedite decision-making by transferring significant authority to the executive officers, Konica Minolta Group has adopted a company-with-committees system.

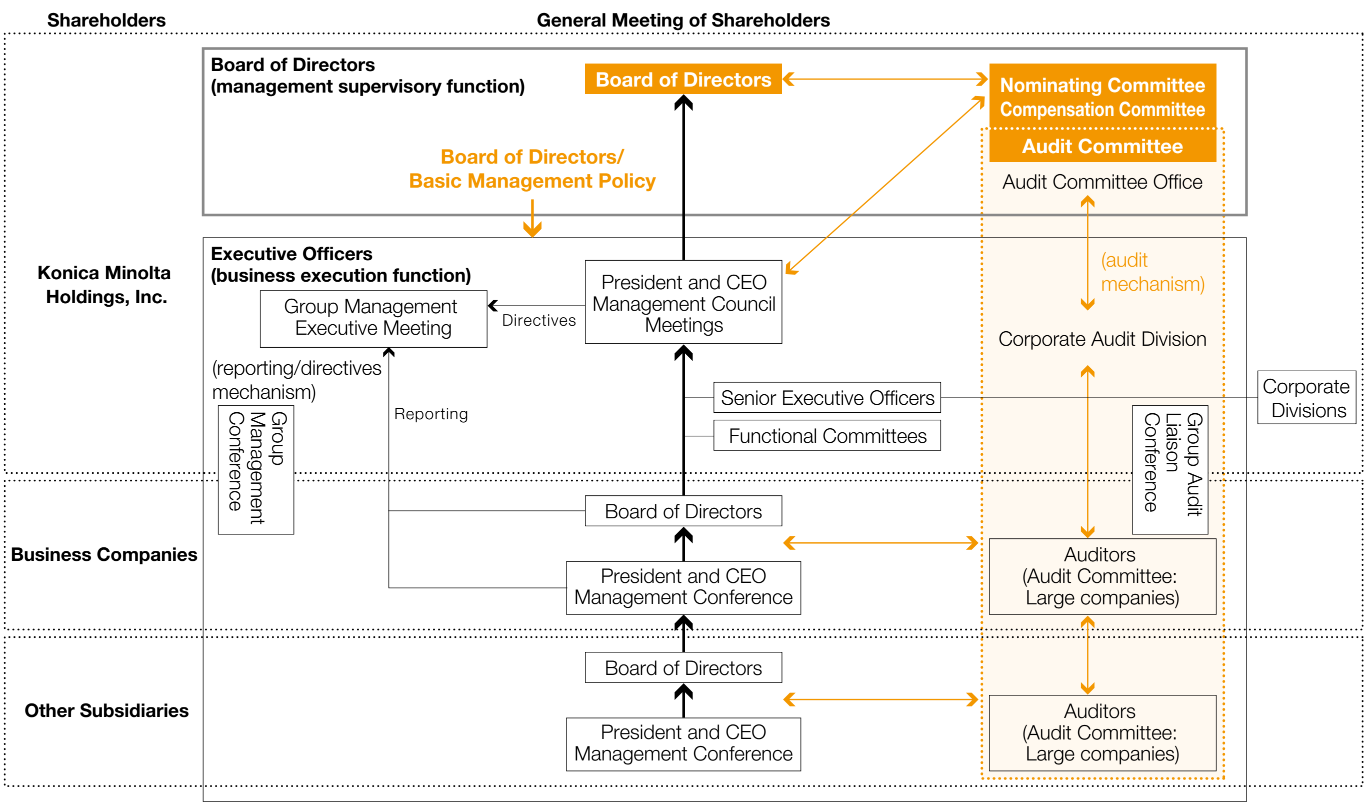
The Board of Directors includes four outside directors, who are highly independent and have no significant business relationships with the Company. The majority of directors do not serve concurrently as executive officers. Moreover, a director who is not serving concurrently as president or other executive officer is elected as Chairman of the Board of Directors, which further ensures the supervisory function of the Board of Directors.

In addition, there are three committees within the Board of Directors—the Nominating, Audit, and Compensation committees—each of which comprises five directors (three of whom are outside directors). In order to ensure better management transparency, none of the directors comprising the committees serve concurrently as executive officers, and outside directors are chosen to chair each committee.

BOARD OF DIRECTORS

The Board of Directors (which met 14 times in fiscal 2009) is responsible for timely, appropriate decision-making regarding the Group's basic management policies, which are set out in its medium-term management plans and broad annual plans. The Board also decides on business restructuring, and other issues, all with consideration for the views of the Group's various stakeholders. Outside directors, in particular, must remain mindful of the need to protect general shareholders and joint shareholder interests while supervising management. They also use their extensive corporate management experience in advising on executive officer proposals and status reports on significant issues.

CORPORATE GOVERNANCE SYSTEM AND MANAGEMENT STRUCTURE



In principle, the Board of Directors meets once a month. Outside directors receive advance briefings on agenda items in order to ensure they understand the items and thereby facilitate more lively discussion at meetings of the board. In particular, explanations of important management decisions are provided by the relevant executive officers. In FY March 2010, overall attendance by outside directors at meetings of the Board of Directors and its three committees exceeded 90% on average.

Every year, each board member provides an evaluation of the Board of Directors, which serves as a general review of the composition and administration of the board and its three committees, as well as other matters. This evaluation is summarized and discussed by the outside directors, the chairman, and the president, in an effort to enhance corporate governance.

COMMITTEE ROLES AND FUNCTIONS

NOMINATING COMMITTEE

The key role of the Nominating Committee (which met five times in FY March 2010), is the selection of director candidates who will be presented for approval before the general meeting of shareholders. When appointing internal and outside directors, the Nominating Committee selects candidates in accordance with the Group's proprietary selection criteria. In selecting candidates for outside directors, key criteria include independence, and experience in corporate management. The Nominating Committee also clearly documented criteria regarding the independence of outside directors, stipulating, among other conditions, that candidates shall have no significant business relationships with the Group, or personal relationships with its executive officers. Further, to address the concern that long-serving outside directors may eventually become less independent, Konica Minolta limits their re-nomination to, in principle, a term of four years.

COMPENSATION COMMITTEE

The Compensation Committee (which met six times in FY March 2010) formulates policies for executive compensation, and determines the amount of individual compensation for directors and executive officers. The compensation system is designed to raise motivation among executive officers to continuously improve business results in the mid- to long-term, and contributes to enhancing overall Group value by providing a benchmark for attracting and retaining personnel willing to ensure the company's future development.

•Compensation for directors and executive officers

Compensation for inside directors, who are responsible for supervising Group management, comprises base salary, and stock options for stock-linked compensation to encourage long-term performance. The compensation of outside directors is base salary only. The target compensation of executive officer packages is 60% in base salary, 20% in short-term performance-based cash bonuses as an incentive, and 20% in stock options for stock-linked compensation as a long-term incentive. The amount of performance-based cash bonuses are determined by business performance levels for the fiscal year in question, and by the degree to which fiscal year performance goals have been met.

The amount of compensation to directors and executive officers recorded as expenses for FY March 2010, is as shown below.

		Compensation (millions of yen)						
		Total	Total base salary		Performance-based cash bonus		Stock option-based compensation	
		Amount	Persons	Amount	Persons	Amount	Persons	Amount
Directors	Outside	41	5	41	–	–	–	–
	Inside	152	5	127	–	–	5	24
	Total	193	10	168	–	–	5	24
Executive Officers		809	23	525	23	151	23	132

Note 1: As of March 31, 2010, there are four outside directors, three internal directors (excluding those who serve concurrently as executive officers), and 22 executive officers.

Note 2: In addition to the five inside directors shown above, the company has another five inside directors who concurrently hold executive officer posts, and compensation to these directors is included in the executive officer compensation noted above.

Note 3: Regarding performance-based cash bonuses, the amounts stated are those which should be recorded as an expense for FY March 2010.

Note 4: Regarding stock option-based compensation, the amounts stated are those which should be recorded as an expense, based on an estimation of the fair value of the new share subscription rights issued to directors (excluding outside directors) and executive officers as part of their compensation.

Note 5: Compensation figures for executive officers in the table above include base salaries and performance-based cash bonuses provided to the 14 executive officers who are primarily responsible for the company's subsidiaries, and which are partially paid for by the subsidiaries.

AUDIT COMMITTEE

The Audit Committee (which met 14 times in FY March 2010) audits executive management decisions to see whether they are legitimate and proper and monitors and verifies internal control systems. The committee also reviews the methods used and results provided by the independent auditors, and decides on proposals for the selection, dismissal, and/or non-reelection of the independent auditors, as well as approving their compensation. The Audit Committee works with the independent auditors and the Corporate Audit Division, which acts as an internal audit office, to enhance audit efficiency and effectiveness, while also receiving regular reports from executive officers responsible for the Risk Management Committee, Compliance Committee, and other internal control systems.

In principle, the Audit Committee meets prior to meetings of the Board of Directors, so that the committee members can present their opinions to the meeting of the Board of Directors, if deemed appropriate.

To further enhance the effectiveness of the Audit Committee, a separate Audit Committee Office with its own dedicated staff has been established as a secretariat independent of any operating division.

For details of the Group's corporate governance, follow the link to the website listed below.

http://www.konicaminolta.com/about/csr/governance/index.html