



Corporate Governance to Support Sustainable Growth

March 11, 2021

Kazumi Atago,

Executive Officer

Company Secretary and General Manager, Secretarial Division

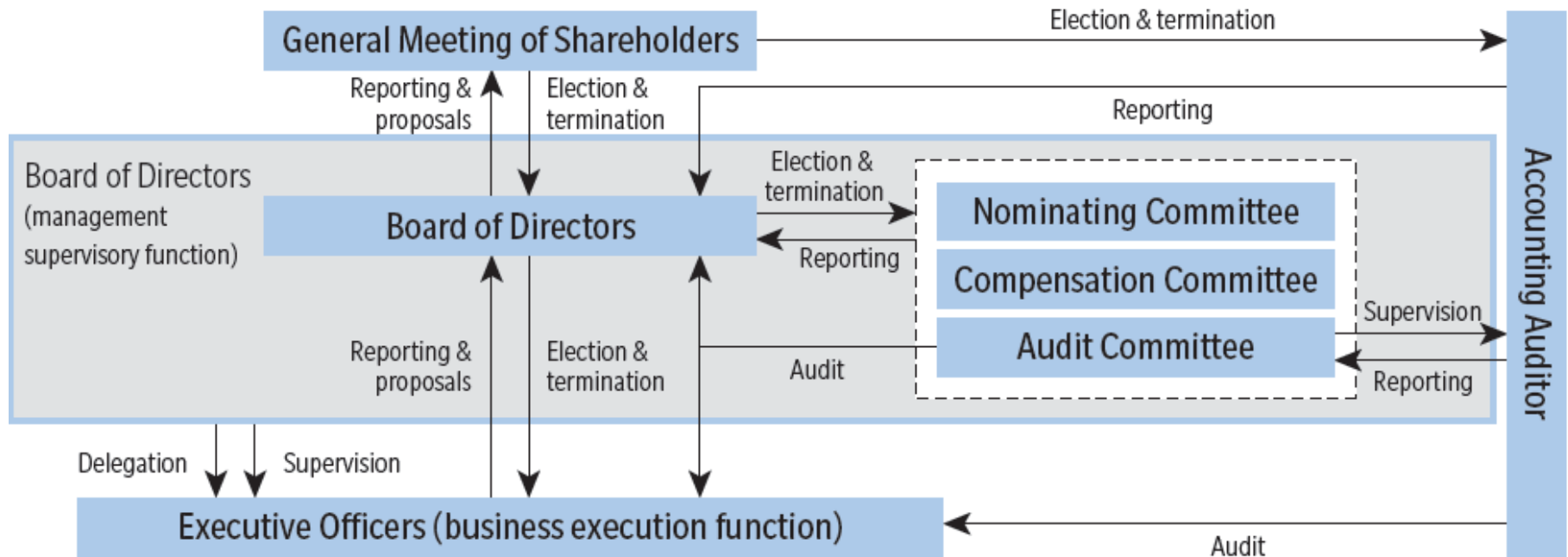
Corporate governance contributing to sustainable growth and increased corporate value over the medium and long term

Basic Policy

- Ensure **business supervisory functions** by **separating the supervisory and execution functions** in order to increase corporate value;
- Election of an **Independent Outside Director** who can provide supervision from a shareholder perspective; and
- Improvement of the **transparency, integrity and efficiency** of management through the above-mentioned points.

Roots lie in top management's awareness of problems

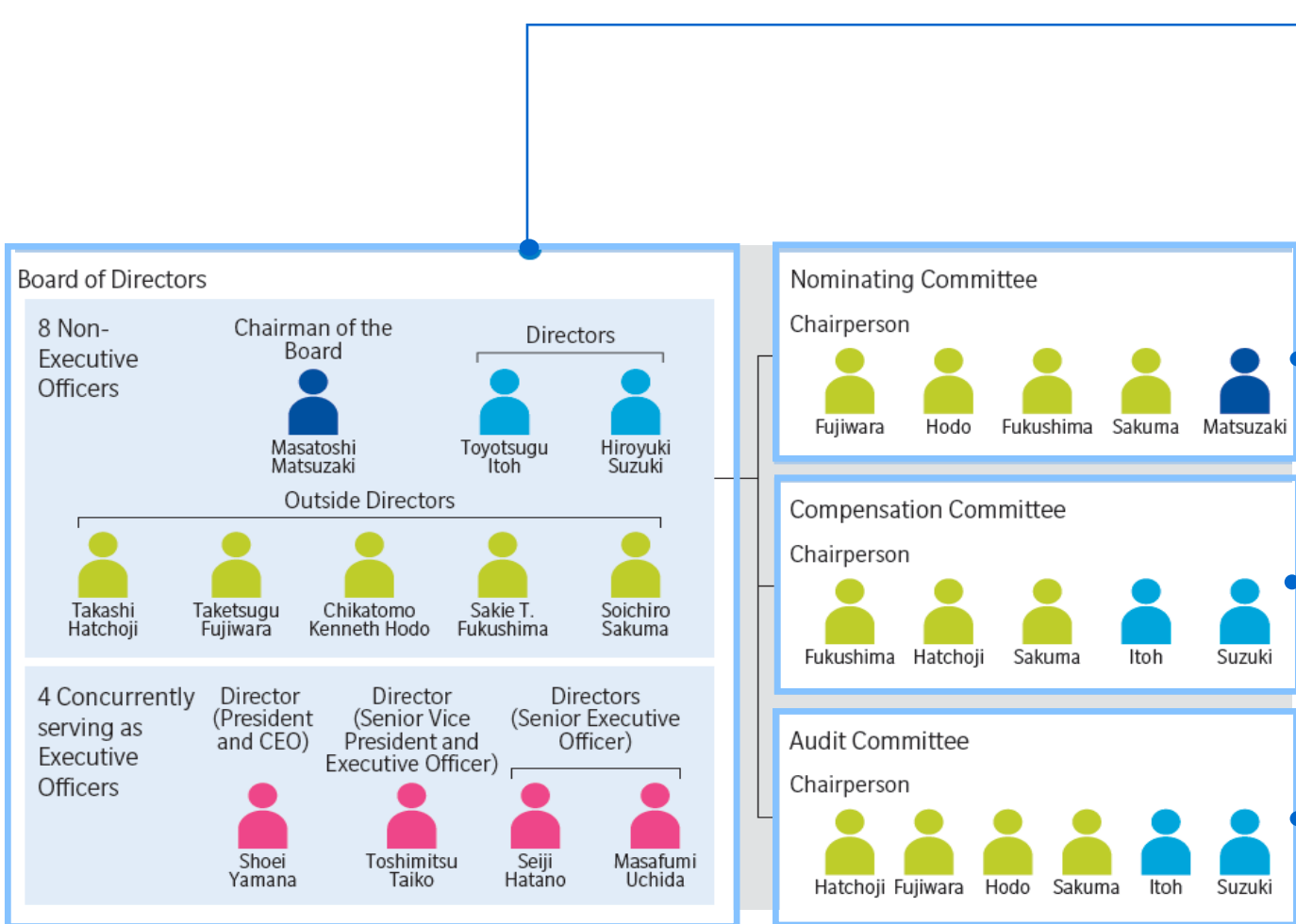
- Before Konica and Minolta integrated their management, the executive, who was the Chairman of the Board at the time of Konica, felt that there was a problem: **“When I was president, I didn't feel like there were any internal checks on me. Is that really acceptable?”**
- He realized that “we needed to build a governance structure with a check-and-balances framework that was not dependent on the characteristics of anyone (an executive's own ethics and qualities).”
- He decided to give up his right of representation and shift to supervising management side instead. From this supervisory standpoint, he designed a structure.
- The company **introduced the “companies with committees” system** and brought in several Outside Directors, developing a structure that separates execution of operations and supervision of management.
- This structure was designed and regulations and standards such as the **Corporate Organization Basic Regulations** were established.



Key characteristics of structure

- A “company with three committees” system was adopted to separate the supervision and execution function of the management and perform highly effective oversight of business operations.
- The Board of Directors focuses on supervisory function, and authority related to execution was largely transferred to Executive Officers.
 - ▣ The three important decisions related to business execution made by the Board of Directors are:
 - ① Fundamental management policies,
 - ② development of an internal control system,
 - ③ selection of executive officers

取締役会と三委員会の構成（2021年3月時点）



Key characteristics of the Board of Directors

- Chairman is not an Executive Officer
- Outside Directors are at least one-third of the Board of Directors
- All Outside Directors are Independent Directors
- Directors who are not concurrently Executive Officers are the majority of the Board Directors

Key characteristics of the three committees

- Chairperson are Outside Directors
- Directors who are concurrently Executive Officers are not allowed to be committee members

Roles and Structure of Three Committees

Nominating Committee

Role: Decide on director candidates

- Chairperson is an Outside Director
- Checks the appropriateness of director candidates (considering diversity, scale, and makeup of members of the three committees)
- **Also supervises succession plan for the President and CEO**

Compensation Committee

Role: Decide individual compensation to be received by Directors and Executive officers

- Chairperson is an Outside Director
- **Sets a policy for determining amount of compensation**

Audit Committee

Role: Audit of Directors and Executive Officers (legal compliance and appropriateness); Supervise accounting auditors

- Chairperson is an Outside Director
- Full-time inside directors are members of the committee and are in charge of actual investigation
- Receive regular reports from executive officers in charge of internal control system

Directors who are concurrently Executive Officers are not allowed to be committee members
This means that the President and CEO is not involved in nominating directors or making decisions about compensation!

Management supervision

- Supervise appropriateness of management execution from the shareholder's perspective and with the eyes of a third party
- Validity of strategies and plans, appropriateness of implementation
- If the outside director feels that the thoughts and actions of executing side violate the goal of raising corporate value, they prevent.

Decision-making in the Board of Directors

- Vote in the Board of Directors

Role as committee member

- Monitor and make decisions as member or chairperson of the three committees

Check whether KM's governance system is appropriate and effective

- Check status of system development and operations and assumptions for systems' functioning
- Publicize opinions through the Questionnaire to Evaluate the Board of Directors Meeting and other



The following was part of the agenda to strengthen deliberations in the policies for the board's operations, presented every year by the chair of the Board of Directors

Report and discuss the status of the review of large-scale M&A in advance before approval

- Discussed strategic aspects with outside directors with a wealth of experience, QA and advice on risks
- While some were anxious about business due to newness and uncertainties, and some were concerned about the extent of the risk.
- There were also statements encouraging and also advice about due diligence.

After the M&A was carried out, several reports on PMI progress were implemented.

Closely monitor progress with highly uncertain new businesses, particularly Workplace Hub, industrial printing, status monitoring, QOL and others.

The Board of Directors encouraged risk-taking, but also cautiously discussed forecasts of synergies and returns.

Compensation for Directors and Executive Officers: Payment amount is decided by Compensation Committee based on the Compensation Policy

Executive Officers' compensation system and composition: Three parts consisting of base salary, performance-based, and stock bonus

| Executive Officers | President | Base Salary 50% | Annual performance-based cash bonus 25% | Medium-term stock bonus (performance-linked) 15% | Long-term stock bonus 10% |
|--------------------|--|--------------------|--|--|---------------------------|
| | Vice president and Executive Officers, Senior Executive Officers, Executive Officers | Base Salary 51-55% | Annual performance-based cash bonus 29-25% | Medium-term stock bonus (performance-linked) 12% | Long-term stock bonus 8% |

Annual performance-based cash bonus

- Payment amount reflects the performance results for the fiscal year (consolidated operating income), degree of attainment of annual performance target, and progress of each Executive Officer's key operational measures

Stock bonus

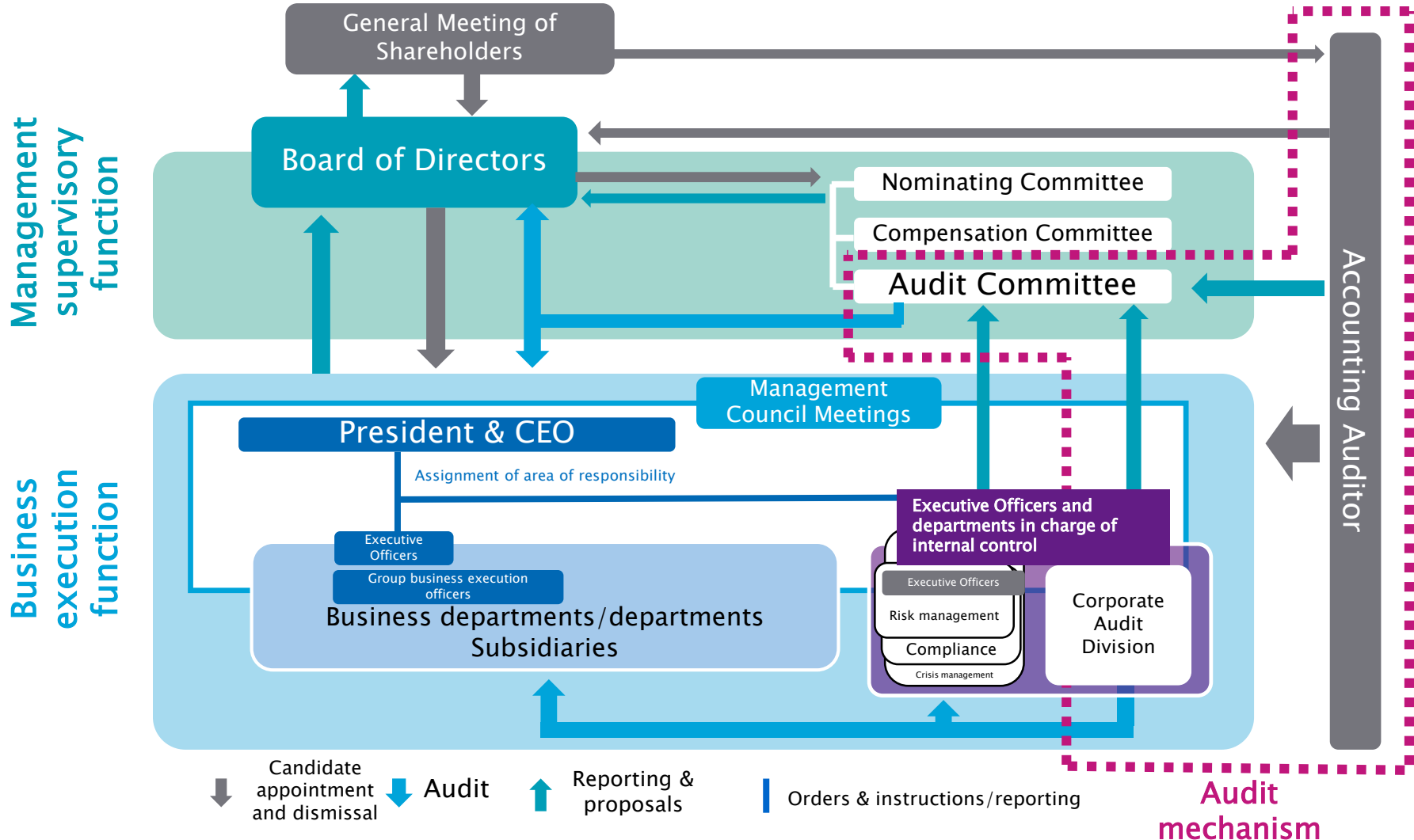
- Stock bonus is intended to enhance motivation to contribute to medium-term improvement in shareholder value and to encourage them to hold the Company's own shares.
- Stock bonus consists of two parts (from fiscal 2020): ① medium-term stock bonus (performance-linked) ② long-term stock bonus (non-performance-linked) given after retirement from office

Revisions to Compensation Policy in fiscal 2020

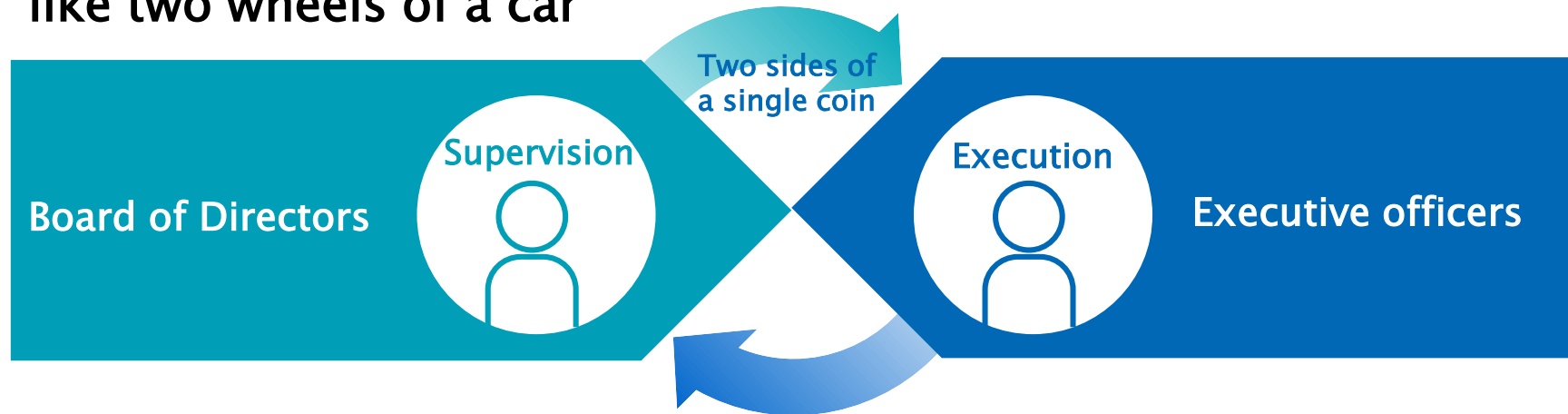
- Consolidated operating cash flow and ROIC are newly adopted as indicators in line with the new medium-term plan
- Differences in payment rate based on rate of earnings achievement (0 – 200%)

Internal Control System

Development of internal control system is resolved by Board of Directors.
The Audit Committee monitors the status of the operation of the internal control system.



Relationship between Board of Directors and Executive officers is like two wheels of a car



Board of Directors and Executive Officers form One Team

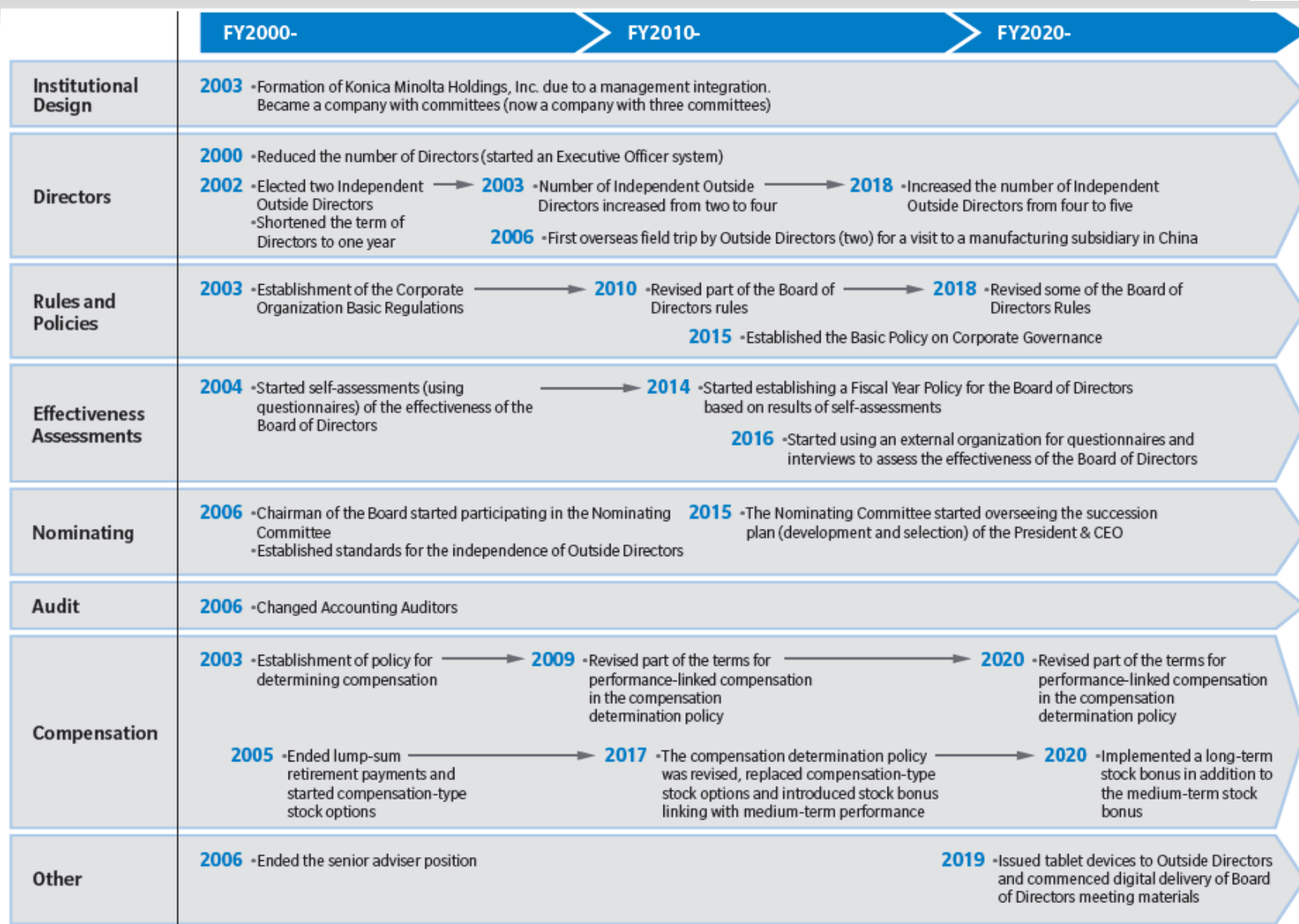
Rugby coach and players

Parent and child

Foundation that supports sustainable growth at all times.
Especially now, these two wheels will work together to achieve the result of DX2022.

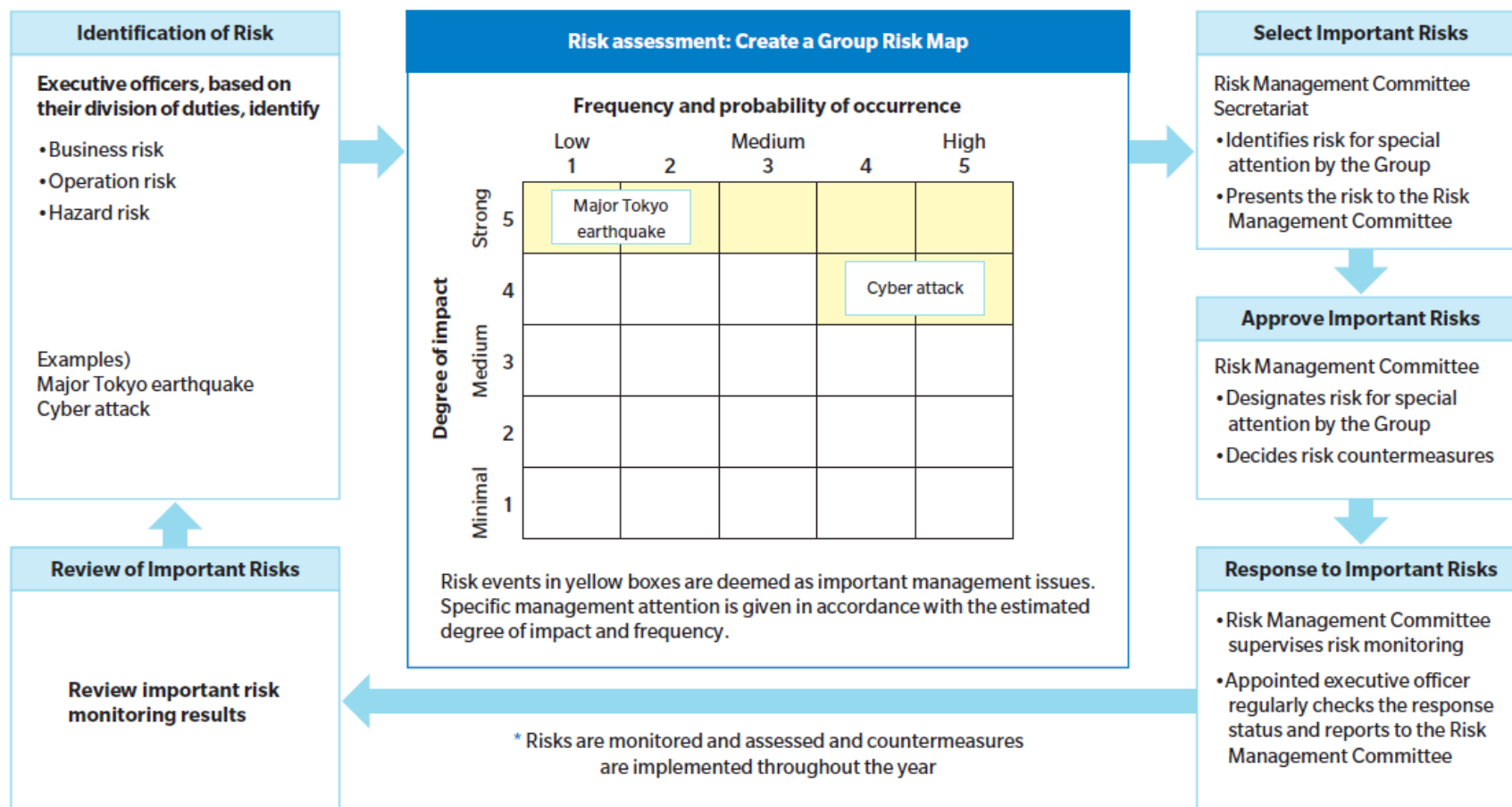
Appendix

Reference : Chronology of measures to establish a corporate governance framework and improve its effectiveness



Risk Management Committee manages various risks comprehensively and systematically
Identifying and managing important Group risks in accordance with flow
Enhanced disclosure of risk management from June 2020

Process of Identifying Important Risk for the Group





KONICA MINOLTA