

Corporate Governance

A board-with-committees system designed to improve the transparency and speed of our management

Adopting a holding company structure

Konica Minolta is endeavoring to speed up management decision-making and strengthen competitiveness.

Konica Minolta is a Group of separate companies, currently consisting of Konica Minolta Holdings, five business companies, and two common function companies. By spinning off each business into separate companies, this structure accelerates our decision-making process and bolsters our competitive edge. We assign to each company a certain degree of authority and responsibility in the areas directly related to the execution of their respective business to allow flexible,

speedy business operation and management. Two common function companies, on the other hand, collectively perform basic research activities and other indirect operations within the Group, serving to improve overall business and functional efficiencies. The structure also allows Konica Minolta Holdings to concentrate on the management of the Group as a whole.

Introducing a board-with-committees system

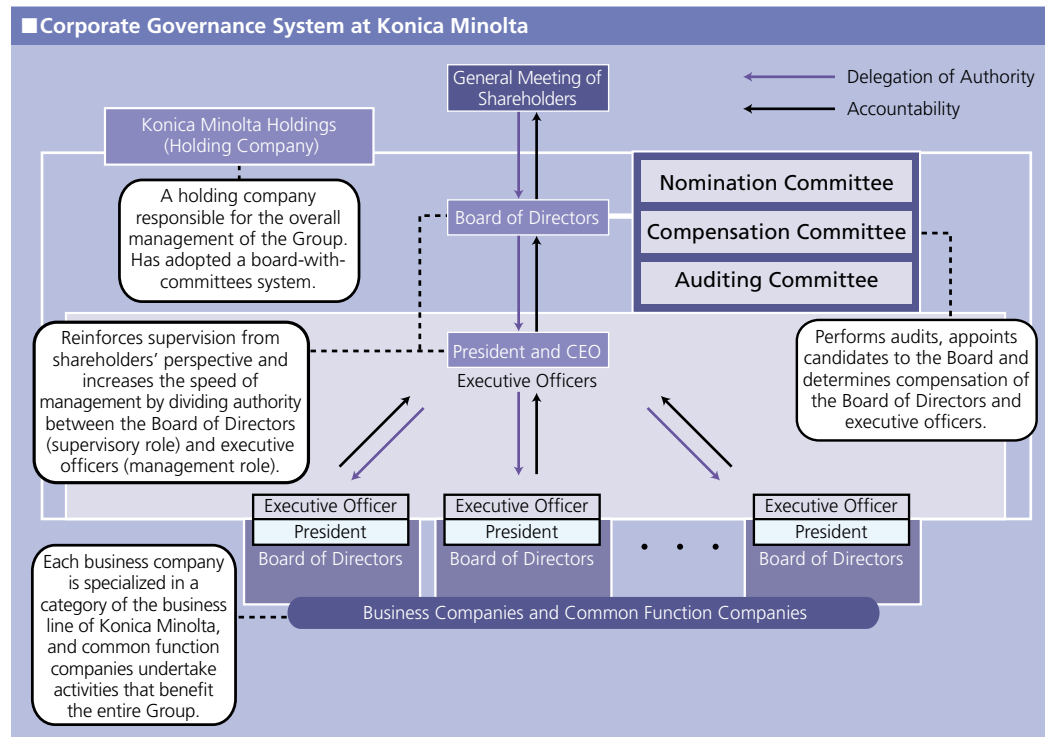
Konica Minolta is implementing thorough supervisory functions of the Board of Directors.

While shifting to a holding company structure, Konica Minolta also introduced a board-with-committees system at Konica Minolta Holdings. It is a corporate governance system that clearly separates the supervisory function from the management role, assigning the former to the Board of Directors (12 members including four outside directors) and the latter to the executive officers.

The executive officers of Konica Minolta Holdings carry out activities entrusted to them by the Board of Directors. Some are also acting as President of the business and common function companies. To achieve

better transparency in the management and compliance postures of the Group, the activities of these officers are supervised by the Board of Directors and reviewed by the Auditing Committee.

The Board of Directors of Konica Minolta Holdings consists of eight internal members (five executive and three non-executive officers) and four outside directors, with one of the non-executive officers serving as chairman. With the majority of members made up of non-executive officers, the Board of Directors is able to perform its supervisory functions on a highly independent basis.



Although the Japanese law that stipulates the board-with-committees system allows the Nomination and Compensation committees to include executive officers as their members, we chose to exclude them from these committees in order to attain thorough management transparency. The Auditing Committee, Nomination Committee and Compensation Committee members do not include executive officers, and each committee is chaired by outside directors. Each committee is composed of three outside directors and two non-executive officers.

Outside directors are considered independent since they have no personal relations with our major suppliers or any of our executive officers. Our selection criteria place the highest priority on the independence of candidates.

Board of Directors and Three Committee Organizational Structure

Board of Directors		© = Chairman		
Non-executive Officers				
Director (Chairman of the Board)	Auditing Committee	Nomination Committee	Compensation Committee	
Outside Director	©	○	○	
Outside Director	○	©	○	
Outside Director	○	○	©	
Outside Director	○	○	○	
Director	○	○	○	
Director	○	○	○	

Executive Officers
 Director (President and CEO, Representative Executive Officer)
 Director (Vice President, Representative Executive Officer)
 Directors (Senior Executive Officers)

Active discussions at Board meetings

Providing outside Board members with information is important.

In fiscal 2004, the Board of Directors meeting was held approximately once a month with over a 90% attendance rate of outside directors. Non-executive officers, who attended important internal meetings, principally provided outside directors with advance orientation on upcoming agendas. Konica Minolta established a system where questions on details of corporate information could be answered on the spot. These efforts supported active discussions and smooth operations of the Board of Directors meetings. We set up the Board

of Directors Office for the Board of Directors and the Nomination Committee and the Compensation Committee, in addition to the Audit Committee Office, and held an outside directors meeting (December 2004), developing a system to allow the Board of Directors to function more. Furthermore, we actively provided opportunities, such as local business site visits, so that outside directors could understand the Konica Minolta Group's actual business activities.

Group audit system

Focusing on improving the internal control system in our overseas affiliate companies during fiscal 2004

With the aim of reinforcing the auditing system of the Group as a whole, we organized the Audit Council, consisting of the Auditing Committee, the Corporate Audit Division of Konica Minolta Holdings and auditors of respective business companies and common function companies. The Auditing Committee developed "Auditing Committee Auditing Criteria," while the auditors of the business companies created "Auditors Oversight Criteria." We visited 40 Group companies mainly in the U.S., China and Europe to provide a series of educational sessions to enhance their auditing and internal control system.

While doing so, we asked a local independent auditing company to whom we commission the auditing of accounting of overseas Group companies to assess our internal control system. The results of this assessment will be submitted to us annually.

- Auditing Committee's Educational Sessions
- Oct. 2004: U.S. (New Jersey and Alabama)
- Nov. 2004: China (Hong Kong, South China area and Shanghai)
- Feb. 2005: Europe (Germany)



Overseas educational session held in China