

Management System

Separate supervisory and execution functions in a management and governance system with a high degree of transparency help to speed up decision making and boost competitiveness.

Corporate Governance

The Konica Minolta Group believes that strengthening corporate governance is a vital part of fulfilling its responsibilities to stakeholders. With the aim of increasing corporate value, the Group has created a management and governance structure that allows more timely and suitable decision making on matters such as restructuring and more organizational flexibility in the face of market change.

Company-with-Committees System

Konica Minolta Holdings, Inc. has adopted a company-with-committees system, enabling the management supervisory function of the directors to be separated from the business-execution function of the executive officers. The executive officers are entrusted by the Board of Directors with the task of business execution. The content of this business execution is subject to the oversight of the Board of Directors and to audits by the Audit Committee, which enhances the soundness of management and compliance.

The Board of Directors includes four outside directors, who are highly independent and have no significant business relations with the company. A majority of directors do not serve as executive officers. Moreover, the Chairman of the Board of Directors has no executive

officer position, which reinforces the supervisory function of the Board of Directors.

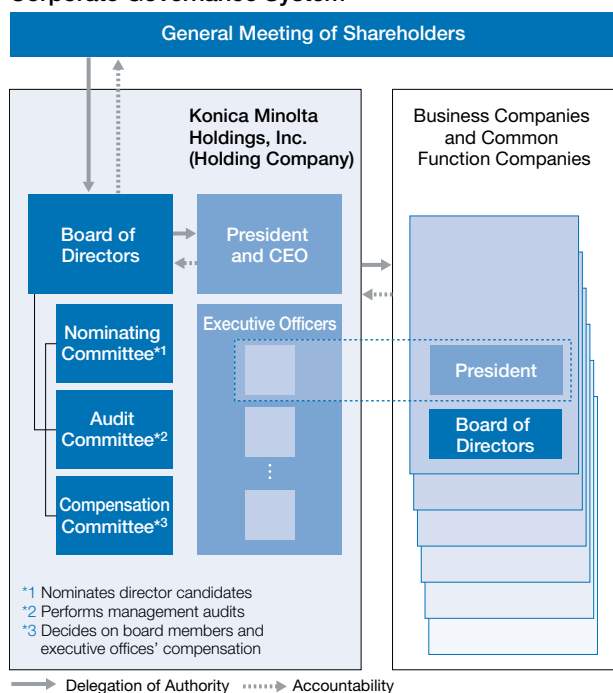
There are three committees within the Board of Directors: Nominating, Audit, and Compensation Committees—all of which are chaired by outside directors. Although the law in Japan only requires that no executive officers serve on the Audit Committee, Konica Minolta has implemented a system in which its executive officers do not serve on any of these committees, in order to ensure better transparency.

Holding Company System

The Konica Minolta Group has adopted a holding company system comprised of a holding company, business companies and common function companies. To establish separate business companies by each business category, enables to speed up decision-making processes and enhance competitiveness. Moreover, the common function companies enable the centralization of basic research and back-office operations within the Group, to help achieve greater efficiency and stronger functionality. Each president of the business companies and common function companies is also an executive officer of Konica Minolta Holdings, Inc. They have the authority and responsibilities necessary for directly executing the management activities in their respective business.

Thanks to this system, the holding company is able to focus on Group management and governance with greater leadership ability, which improves corporate value for the entire Group.

Corporate Governance System



Group Auditing System

Konica Minolta Holdings, Inc., which has adopted the company-with-committees system, has established an Audit Committee while its business companies, common function companies and other subsidiaries have appointed their own respective auditors. In addition, Konica Minolta Holdings has a Corporate Audit Division, which conducts an internal audit of the entire Group.

The members of the Audit Committee and the Corporate Audit Division, as well as auditors of the individual Group companies, hold an Audit Council meeting every three months, where participants share related information and strengthen coordination of audit activities across the Group. With the aim of ensuring effective audits, the same parties hold regular meetings with the accounting auditors, review auditing systems and policies, and examine whether or not the accounting auditors can fulfill their tasks properly.

Management System

Internal Control Measures

In recent years, corporate scandals and lack of compliance have become matters of social concern. To prevent misconduct, management needs to implement stronger internal control systems.

In March 2009, the holding company's Board of Directors revised the resolution on internal control systems and the relevant internal rules were updated as a result.

Complying with Japan's Financial Instruments and Exchange Law

The Japanese Financial Instruments and Exchange Law(J-SOX) has been adopted in order to prevent corporate accounting fraud and ensure reliability of financial reporting since the beginning of fiscal 2008. Under J-SOX, the submission of an internal controls report and audit certification is required. The Group companies have been preparing for the application of J-SOX since fiscal year 2006 and have developed a design implementation structure that includes the documentation, evaluation and remediation of internal controls, and performed operating effectiveness evaluation tests. In addition, an internal controls report was prepared and submitted in June 2009 with Japanese Annual Security Reports after the internal controls audit by external auditors.

In preparing for these internal controls, the Group has implemented a questionnaire-based internal evaluation of 95 Group companies, including subsidiaries in Japan and

overseas. Seventeen principal companies, in particular, documented the workflow in the sales process and other areas, identified risks related to financial reporting, and reconfirmed the importance of internal controls.

Furthermore, mechanisms such as mutual cross-evaluations between different business companies in the Group are utilized to ensure objectivity in internal evaluations.

Compliance

Konica Minolta's concept of compliance includes not only adherence to laws in a particular country, but also observance of corporate ethics and internal rules. Based on this approach, in October 2003 when the Konica Minolta Group was created, the company established the Konica Minolta Group Conduct Guidelines. These guidelines place the highest priority on compliance for conduct in all corporate activities.

To promote a thorough understanding of compliance, the Group is offering educational opportunities to its employees. This training aims to provide knowledge to its employees and encourages them to achieve compliance in their daily activities. Konica Minolta is promoting the creation of a system that will realize these aims, while striving to foster shared Group-wide values and create a corporate culture that recognizes that compliance is demanded by society.

Voice

Our corporate culture has changed over the last two years

In the two years since we introduced J-SOX to Konica Minolta there has been a cultural shift that emphasizes the importance of internal controls. We have developed a control environment which not only promotes the improved accuracy of daily activities but also ensures the overall reliability of our financial reporting. This could not have been accomplished without the collaborative efforts of members from all aspects of the Company.



Steve Near

Vice President
Corporate Compliance and Audit
Konica Minolta Business
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Konica Minolta Group Conduct Guidelines

Basic Approach

1. We will observe all relevant laws and regulations, along with in-house rules and codes.
2. We will respect social norms and will act in full awareness of corporate ethics, as well as common sense, so as to be accountable for our acts.
3. We will seek to understand the Guidelines thoroughly, and to comply with them always.
4. We will not violate the Guidelines under any circumstances, even to benefit the Company or increase profits, even if so instructed by our superiors; or if the Guidelines have long been violated by our predecessors and many other companies, or their violation has become industrial or national practice.

Internal Hotline Systems

Konica Minolta is working to expand and improve internal hotline systems for reporting compliance issues in each Group company worldwide. In Japan, for example, an employee that discovers a compliance violation can consult directly with the President and CEO, the Group Compliance Officer, or the General Manager of the legal division at Konica Minolta Holdings, Inc. through diverse means, such as telephone, email, or letter. In addition, independent hotlines have been set up at each business company for employees including its subsidiaries.

Group companies outside of Japan have also been provided with independent internal hotlines. For example, Konica Minolta Business Solutions U.S.A., Inc., a business information systems sales company in the U.S., established the Whistleblower's Hotline in August 2006. The Ombudsman was also created in July 2008 at Konica Minolta Business Solutions Europe GmbH and Konica Minolta Business Solutions Deutschland GmbH, business information systems sales companies for Europe and Germany.

In fiscal 2008, about 20 calls were made to hotlines in Japan, while another 20 or so were made to overseas hotlines. Most of the concerns related to workplace environments, and there were no reports of serious legal violations.

Promoting Information Security

The Konica Minolta Group established a plan for obtaining ISO 27001 certification, the international standard for information security management. The plan began in fiscal 2006, and is being completed in three terms.

Consolidated certification for all 31 Group companies in Japan is scheduled for completion in the first half of fiscal 2009. Group companies in China are also working on individual activities for ISO 27001 certification.

Risk Management

Along with the globalization of economies and the transformation of societies, the risks faced by companies have become more diverse.

Konica Minolta has created a Group-wide risk management system in order to clarify various corporate risks and to minimize their impact on its businesses. The Group also conducts business continuity management taking measures to ensure that businesses are able to continue uninterrupted in the case of a natural disaster or other unforeseen circumstances.

Business Continuity Management

One of the most important responsibilities of an enterprise is to maintain or rapidly resume its essential business operations in the event of major disaster or accident. Konica Minolta is working toward this goal at Group companies worldwide, while also including its supply chains*.

To ensure that Group companies are able to maintain key operations in the event of a major disaster and minimize negative effects on suppliers and customers, each company has established a business continuity plan (BCP). This forms the basis for business continuity management (BCM) systems that organically incorporate the initial response systems activated immediately after a disaster. Each Group company identifies essential businesses that cannot be suspended, along with any obstacles to the ongoing operation of these businesses. Measures are then devised to ensure continued operations, together with alternative measures in case a business becomes nonfunctional.

For example, Konica Minolta is promoting a measure to handle a major earthquake in Japan and deal with a possible future influenza pandemic which has become a global concern. Various drills have also been carried out in order to improve BCM effectiveness.

* Supply chain: The series of activities involved in delivering a product or service to a customer, ranging from procurement and production to distribution and sales.