

Risk Management

To cope with a variety of risks in corporate activities, Konica Minolta is minimizing risks through accurate, prompt and appropriate handling of such risks.

Response to assumed risks

Konica Minolta is implementing risk management, classifying risks or tasks in prevention and prediction, outbreak and after-the-fact phases.

Our risk management activities are led by the Crisis Management Committee at Konica Minolta Holdings and its subcommittees established within our Group companies operating worldwide. With an eye to upholding our corporate value, the Crisis Management Committee works with the Group Compliance Committee to operate a global corporate governance structure. Each side takes charge of certain risk areas, allowing us to respond to assumed risks more effectively and efficiently.

Risks associated with our corporate activities are divided into 13 categories, with risk factors, details and possible crisis situations defined for each. We imple-

ment a three-phase response plan, composed of prediction and prevention during peacetime, actions taken during crisis and post-crisis activities. The Crisis Management Committee at Konica Minolta Holdings maintains close communication with its subcommittees in our Group companies and is able to obtain real-time information on a given incident, even when it is occurring at one of our overseas Group companies.

We swiftly receive reports based on an early reporting approach while the level of risk is still at the indication stage. Periodical reports are made even during peacetime, and the risk status of the Group as a whole is reported to top management on a monthly basis.

■ Risk Factors and Details (excerpt)

Factors	Details
1 Defective products, recalls, product liability suits	Error in design (damaged product, health hazard), error in production process (damaged product, foreign substance contained in product)
2 Defective services	Insufficient and inadequate explanation, discriminating treatment
3 Personnel-related issues	Ambiguous standards used for personnel assessment, undue positional change, employee engagement in crime or scandal
4 Labor-related issues	Labor dispute, occupational health hazard, death or suicide caused by overwork
5 Accidents	Environmental contamination (soil, wastewater, air), industrial accident (health and safety hazard, accident)
6 Instances of unethical conduct	Antisocial force, scandalous act, internal dispute, M&A
7 Results of management and marketing decisions	Risks related to investment, loan, debt and transaction, undue competition
8 Organizational crimes	Illegal act (violating the Antimonopoly Act, Premiums and Representations Act, Subcontract Act, and Tax and Commercial Laws)
9 Blackmailing and other crimes committed against the company	Malicious act (mixing harmful substance into product, etc.), robbery, sabotage
10 Economic or social disturbances	Energy crisis, major power failure, a sharp decline in stock prices
11 International or political disturbances	War, political dispute, trade impediment
12 Disasters and epidemics	Earthquake, storm and flood, fire, infectious disease
13 Inaccurate information giving an impression of management instability	Incorrect information provided to mass media, spreading rumor through various channels, including the Internet

Activities responding to quality issues

Konica Minolta is responding to customers more promptly and accurately under the customer first principle.

For the Konica Minolta Group, quality issues represent the highest management issue to our operations. With Konica Minolta Holdings working in tandem with each

Group company, we take swift and appropriate action to deal with quality issues based on our customer first principle.

Response to quality issues during fiscal 2004

Hyper Jet Cleaner (air duster)

Occurred in February 2004. Notes were found to be inadequate with regard to the possibility of decomposition of one of the ingredients and generation of a hazardous substance when used near a source of heat. We held an emergency meeting and made warning announcements in newspapers and on our website on February 23. In order to respond to customer inquiries in detail, we operated a call center specifically handling this issue until June 2004.

DiMAGE Z3 (digital camera)

Occurred in August 2004. Calls from customers revealed that significant noise occurred under certain shooting conditions and that system errors may occur when taking continuous shots. We immediately made an announcement on our website and started a free download service of a firmware solution.

Continuity of business during crises

Currently developing a Business Continuity Plan, which also covers our supply chain

Ensuring business continuity in the event of a disaster is one of the most important missions of the Konica Minolta Group. The mission consists of avoiding a disruption to our business operations and building resilience in a manner that safeguards the interests of our stakeholders around the globe. Konica Minolta Holdings has asked each business company to develop a plan designed to ensure continuity of service and minimize the damage to its customers and suppliers. Currently, Konica Minolta Holdings is devising a comprehensive plan by first identifying critical business processes and related bottlenecks, and then determining adequate measures and backup processes. Based on these efforts, each Group company is also developing its own continuity plan from a global perspective, placing more weight on supply chain management.



First united disaster drill

Activities undertaken for business continuity

Preparing for a large-scale earthquake

Earthquake hazards pose the highest threat to business continuity for companies operating in Japan. Looking at the recent history of large-scale earthquakes that have occurred in Japan, our overseas stakeholders now express a growing concern for our earthquake preparedness.

We believe that our efforts to improve our earthquake preparedness will ultimately lead to the building of a sound defensive posture against other disasters. We place the highest priority on the development of measures to counter the Tokai or Tonankai earthquakes and large-scale earthquake in the Tokyo metropolitan area, which are predicted to occur in Japan in the near future.

When the Great Hanshin-Awaji Earthquake occurred, it took us a week to find out what happened to our employees working in that region. Utilizing the lessons learned during the incident, we have built a Safety Check System for our employees and their families. If an earthquake above intensity 5 hits a certain area, employees living or working in that area will report via this system using their PCs or cellular phones. We provide periodical training for our employees to familiarize themselves with these reporting procedures.

•Developed and delivered an action manual

In July 2004, we developed a pocket manual to ensure the safety of our employees upon the occurrence of a large-scale earthquake. The manual was delivered to all Group employees working in our offices in Japan.



Priority of actions during crisis

1. Ensure the safety of employees and their families.
2. Prevent the occurrence of secondary disaster.
3. Maintain business operations or work for their early recovery.
4. Participate in regional disaster prevention activities.