

Konica Minolta recognizes that strengthened corporate governance is a key management issue and is working to clarify the functional separation of management supervision and management execution, while at the same time working to strengthen the functioning of each in order to achieve fair and transparent management.

The separation of the executive and supervisory functions is managed by a committee-based corporate governance structure, through which the Group is working to ensure further visibility and efficiency.

Based on these tenets, three committees (Audit Committee, Nominating Committee and Compensation Committee) are working to complement the functioning of the Board of Directors with the aim of further strengthening Konica Minolta's corporate governance structure as they address major issues.

The Board of Directors exerts supervisory control over management through regular reports on the status of major business activities. For important management policy decisions, in addition to deliberating the issue several times, executive directors and outside directors actively exchange opinions.

The Audit Committee supervises executive management decisions and where necessary advises on

corrective measures in reviewing the applicability and appropriateness of internal control systems, in addition to strictly reviewing the Group's independent auditors.

The Nominating Committee is responsible for the selection of new director candidates based on pre-determined selection standards and reviews the process and reasons for the selection of executive directors before candidates are voted on by the Board of Directors.

The Compensation Committee works to confirm and improve the director compensation system and determines compensation for individual directors. The committee adopted a policy which was approved at the general shareholders' meeting in June 2005 to eliminate special service retirement benefits for directors and executive officers in recognition of the corporate trend away from such benefits and adopted a stock compensation-type stock option plan as a long-term management incentive.

In addition, Konica Minolta Compliance Action Guidelines have been introduced. Through such activities, Konica Minolta aims to create a more highly visible governance structure which it believes will enhance corporate value.

**Konica Minolta Holdings' Corporate Governance System**

