Corporate Governance

Konica Minolta recognizes that strengthened corporate governance is a key management issue, and has clarified the functional separation of management supervision and execution, while at the same time strengthening the functioning of each to achieve fair and highly transparent management.

We separated oversight and implementation by adopting a company-with-committees system. This includes the Nominating, Compensation, and Audit committees, which are integral to the Board of Directors. Under the Japanese Commercial Code, companies can choose either governance systems of corporate auditors or systems with committees. While each system has its advantages, Konica Minolta has selected a company-with-committees system to separate the management supervision and execution functions. This choice enables us to operate more transparently and accelerate decision-making.

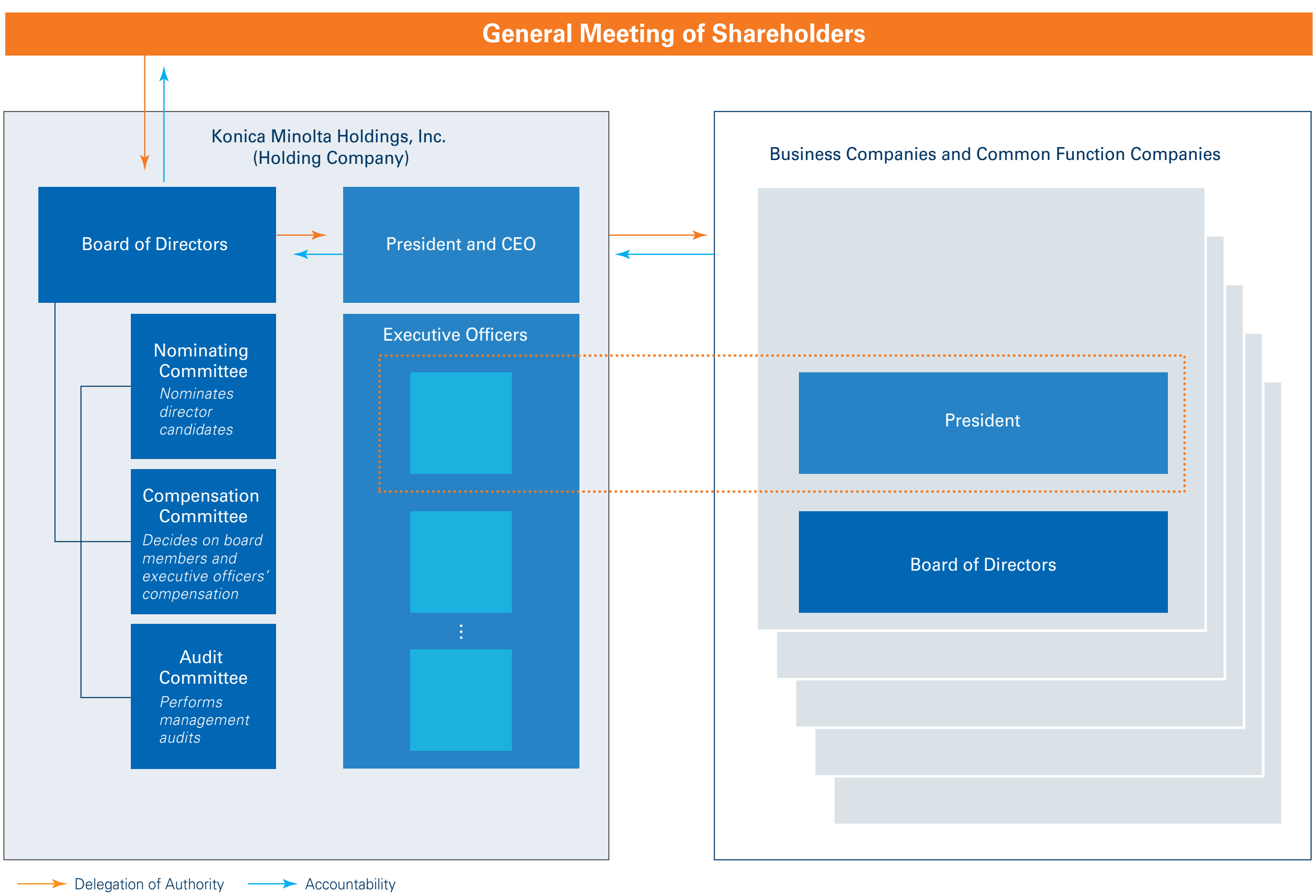
The 12-person Board comprises eight internal and four outside directors. The majority of members have non-executive positions; among them are three internal directors, including the chairman. The outside directors help clarify the Board's independence and supervisory role.

All committee chairs are non-executive outside directors, rounding out a very advanced and transparent governance structure.

Attendance among the four outside directors at the 13 Board meetings and gatherings of the three committees in FY March 2009 averaged more than 90%. To ensure vigorous discussion, the secretariat or the relevant executive director explains the agenda for important management decisions before meetings.

The Nominating Committee nominates outside candidates for the Board, assessing their independence and experience in corporate management. The committee ensures that candidates have no significant business relations with the Group and have no personal relationships within it. As the Board monitors executives and makes important management decisions, candidates should ideally have track records in corporate management.

Corporate Governance System



In order to avoid potential compromises to their independence, the Nominating Committee's rules limit the terms of outside directors to, in principle, four years.

The Compensation Committee maintains a system for directors and executive officers to attract and retain talented people and better motivate them to consistently improve results over the medium and long terms, thus satisfying shareholders and optimizing Group value. Inside director compensation comprises base salary and stock options for stock-linked compensation to encourage long-term performance. The compensation of outside directors is base salary only. The target compensation of executive officer packages is 60% in base salary, 20% in short-term performance-based cash bonus, and 20% in stock options for stock-linked compensation. The committee maintains a scheme in which directors and executive officers cannot exercise stock options while serving but can do so between one and six years after stepping down. This system encourages a medium- to long-term management perspective, which fosters a management orientation toward increases in corporate value and shareholder value.

The Audit Committee evaluates whether executive management decisions are legitimate and proper, and reviews internal control systems. This committee comprises five non-executive directors, of whom three are outside Board members. Employees independent of executive management run the Audit Committee Office, which assists this committee.

The Corporate Audit Division, Risk Management Committee, and Compliance Committee are integral to the internal control system. Each body reports regularly to the Audit Committee. Each must swiftly inform the committee of pressing issues and responses and otherwise act at the committee's behest. The Audit Committee can send representatives to executive meetings or other key gatherings as well as request executive officers overseeing the Corporate Audit Division, Risk Management Committee, and Compliance Committee to conduct research or prepare reports.

The Audit Committee, Corporate Audit Division, and auditors of business companies and common function companies* collaborate to improve their quality and efficiency without compromising their independence.

After completing internal auditing, the Corporate Audit Division sends its audit report to the CEO and the Audit Committee. That committee, the Corporate Audit Division, and company auditors convene a quarterly Konica Minolta Group Audit Liaison Conference to share information, knowledge, and experiences to enhance auditing accuracy.

The Audit Committee can require the Corporate Audit Division to audit a specific subject.

We instituted the Konica Minolta Group Compliance Guidelines to ensure adherence to laws, regulations, corporate ethics, and internal regulations in all business activities, thereby boosting corporate value and securing stakeholder trust. We also have a compliance officer and supporting department, maintain a Compliance Committee, and set up a Group compliance hotline.

The Japanese Financial Instruments and Exchange Law was passed in June 2006 and new rules concerning internal controls were implemented in April 2008 in order to prevent improper corporate accounting and ensure the reliability of financial reporting.

The Konica Minolta Group prepared the necessary documentation and valuation, and implemented remedial actions in preparation for full-scale implementation of the Japanese Financial Instruments and Exchange Law from FY March 2009. It has already prepared a formal report on internal controls, and has undergone an internal control audit by external auditors.

Such efforts will equip Konica Minolta to maintain a highly transparent corporate governance structure and thereby enhance corporate value and shareholder value.

**All of the Group's business companies, common function companies, and their subsidiaries have adopted the corporate auditor system.*