

Risk and Crisis Management

We are improving risk management for crises prevention

Risk management forms the backbone of business management. It will not work properly if divisions are not consistent in the measures they take. Therefore, we have established a system covering the whole Group, under the leadership of Ricoh's general affairs division. The supervising divisions at Ricoh's Head Office are developing a risk management system in cooperation with relevant business divisions and affiliates who are responsible for implementing measures under the system.

Risk Management

● Scope of Risk Management

Ideas of risk management and definitions of terms are clarified and shared across the Group, aiming at smooth operations. We define "a crisis" as an event caused by

"a risk." Risk management covers risks arising in the business process. For natural disasters and fires, the traditional system that has already been established is applied. Risk management does not cover financial risks such as exchange risks or enterprise risks including those in relation to sales of businesses, which are managed under other systems.

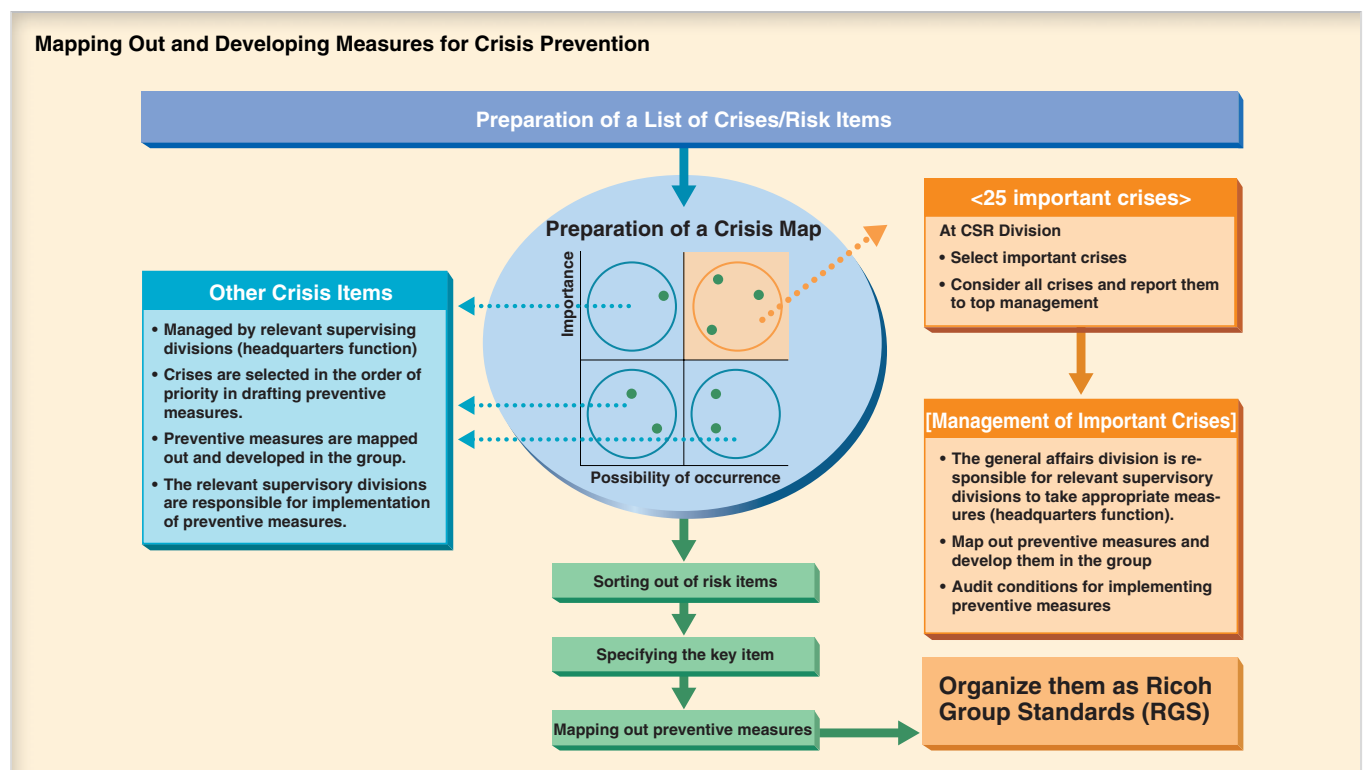
● Activities of BPRM Subcommittee

Overall activities for risk management are supervised and promoted by the general affairs division, while the revision of standards corresponding to respective crises comes under the Business Process Risk Management Subcommittee (BPRM Subcommittee), whose secretariat is the general affairs division.

● Classification of Important Crises

The Ricoh Group's risk management system consists of preventing crises before they happen, countermeasures at the initial stages of a crisis, and a strategy and system to maintain them. Particular emphasis

is placed upon preventing crises before they happen. Of the 139 items on the list of potential crises, 25 items have been named as critical in light of their frequency (probability) and degree of influence (importance), which are managed by the whole Group. Specific crises, which have been standardized and compiled in a manual to facilitate daily management, are covered by the Ricoh Group Standards shared across the Ricoh Group. The employees carry out self-assessment at their own workplaces for improvements in the scheme.



Recent misconducts and actions taken

Unfortunately, cases of misconduct have been reported even after the establishment of the CSR Division. In response to this, we organized Countermeasure PGs or task forces that comply with the Initial Countermeasure Standards in Case of a Crisis, and investigated the causes, took action to put things right, and enforced group standards to prevent any reoccurrence.

Case 1: SARS

● One Infected One Suspected

One of the employees at Ricoh Electronic Technology Ltd. (China) was infected with SARS and it became clear on May 4, 2003 that another employee might have been suspected. The two employees were isolated and the plant was closed, in accordance with the instructions of the Chinese authorities. Nonetheless, it became plain on May 12 that there was no secondary infection and the plant was allowed to recommence operations.

● Measures Taken before the Occurrence

A SARS Countermeasure Committee was organized, chaired by the Manager of International Marketing Group. Four Project groups were organized under the committee, to ensure the safety of employees and products, and to maintain business and public relations. As the top priority was given to the lives of employees of the Group, 15,000 masks, clinical thermometers, disinfectant, mouthwash, and other materials were sent to the region, while business trips to the region were banned.

● Review of Countermeasures and Standardization

1. After the plant recommenced operations, circumstances at the site were investigated. This investigation revealed that few people in China followed the practice of gargling, and easy-to-use gargle/mouthwash was desperately needed. In addition, the temperature readings given in the report by the victim were not quite credible and other measuring methods are required. It also became clear that there was no practice of inoculation, and accidents could occur. They also found that it was

not appropriate for Japanese staff members alone to discuss countermeasures, and changed the details of the measures.

2. To avoid misdiagnosing influenza as SARS, inoculation against influenza was given, including people going abroad on business.

3. The Preventive Measure Planning Manual for Infectious Disease was revised.

* See page 25.

Case 2: Bid-Rigging

● Revelation of Bid-Rigging Regarding Water Meters

In July 2003, Ricoh Elemex Corporation was accused by the Japan Fair Trade Commission of bid-rigging regarding water meters, which are staple products of the company. This followed similar cases in 1992 and 1997.

● Countermeasures before the Revelation

Ricoh Elemex designated the day when the previous accusation was brought as Compliance Day and had made efforts to educate employees. The top manager himself had stressed the importance of compliance and been engaged in education and activities.

● Review of Countermeasures and Standardization

1. As a result of discussions by all the employees in the Group, it was found that compliance education alone was insufficient and systematic prevention of bid-rigging was essential. Accordingly, preventive measures modeled after those taken in the sales division of Ricoh, which had led such efforts, were introduced into Ricoh Elemex. In practice, bidding information is compiled in a database, which is shared and checked. The workflow starts with the registration of bidding information, which is followed by signing an oath that there is no bid-rigging in setting prices and subsequently, management of the bidding results (evaluation of appropriateness through comparison with past data, recent data, etc.)

2. These measures have been standardized across the Ricoh Group, and introduced into the Group companies.

Case 3: Loss of Customer Data

● Loss of Customer Data at Ricoh's Sales Division

When returning important personal data provided by customers in June 2003, it became clear that the consigned delivery agent had lost the data in transit at Haneda Airport.

● Countermeasures Taken

In cooperation with the consigned delivery agent, we searched the site and even visited the destinations of the airplanes that had left the airport during that time period to check. At the same time, rules and workflows, as well as conditions of manual preparation and thoroughness of education were checked, including the reason why a delivery agent was used.

Regarding it as our company's responsibility, we apologized to customers for consigning the transportation of important data to a third party, reported on the progress and explained the measures taken. At the press conference, the president of the company explained the circumstances and causes of the incident, apologized for losing the data as well as for the shortcomings and indefinite parts of the operational rules, and reported on measures that the company was now taking to fulfill our social accountability.

● Review of Countermeasures and Standardization

1. With the cooperation of other divisions, processes were analyzed and reviewed, while the manual on handling customer information was revised to prevent the same thing happening again.

2. Other sales divisions also reviewed their schemes, etc. for handling information provided by customers.

3. Instructions were given in the name of the Ricoh president to Group companies to take great care in handling personal information. Information held and management schemes for such information were checked and reviewed, and these were scheduled to cover the entire Group through detailed education, etc.

4. The schedule for implementing the Information Security Management System (ISMS) was accelerated, while a division was created to coordinate the Group's activities for the management of personal information, so that thorough measures can be taken.

* See page 16.