■ Internal controls

The Ricoh Group aims for continuous improvement based on the values embodied in The RICOH Way. This includes operating an internal control system designed to strengthen competitiveness while maintaining transparency based on principles of corporate ethics and legal compliance. Ricoh has established the Ricoh Group Corporate Management Principles as a set of guidelines for corporate activities, and follows the Internal Control Principles included therein.

- The Group Management Committee (GMC) was established to oversee the Group's overall business operations and to enable quick analysis and decision making to ensure the best result for the Group as a whole.
- The Internal Control Committee was established within the GMC to determine action policies, report incidents, and evaluate and correct the control system regarding internal controls, risk management and compliance, in particular.
- Corporate Management Regulations for Ricoh Affiliates stipulate the establishment of a supervising organization to oversee risk at all Ricoh Group companies.
- The Ricoh Group Standards (RGS) have been established as a set of common rules for all Ricoh Group employees to follow, and adherence to these rules across the Group is ensured.
- A basic disclosure policy has been established to ensure that corporate information released by the Group is accurate, timely and comprehensive. Also the Disclosure Committee has been set up as an independent body charged with verifying the preparing process of the information to be disclosed.
- Integrated internal audits (J-SOX audit, financial audit, operational audit, etc.) are conducted to ensure the reliability of our financial reports, improve operational efficiency, confirm compliance with laws and regulations, and confirm that risk management measures are being implemented properly.
- The Fraud Risk Management (FRM) program of the Ricoh Group has been deployed to prevent fraud risk. The FRM utilizes a check sheet and tools to detect anomalies within large volumes of data in the integrated internal audit.

■ Compliance ›[1]

We believe that it is important for every employee to adhere strictly to laws, company regulations and corporate ethics in their daily activities.

All Ricoh Group executives and employees in Japan receive annual training via e-learning on the Ricoh Group Code of Conduct, which provides principles of conduct in daily activities. Equivalent training is given to all overseas Ricoh Group companies.

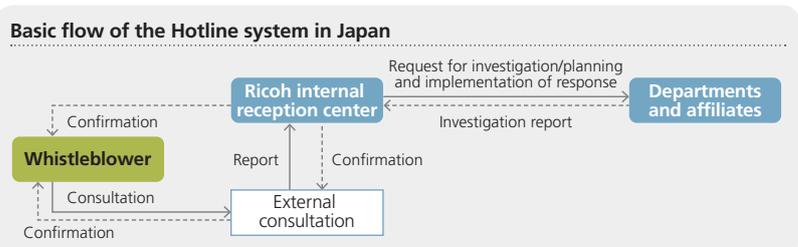An integrated internal audit checks the status of compliance in every organization.

Anti-corruption initiatives

The Ricoh Group stipulates its basic anti-corruption policy in the Ricoh Group Code of Conduct and promotes it across the Group through Code of Conduct education. In 2013, the Ricoh Group Standard for Bribery Prevention became a part of the RGS to help ensure total compliance with laws and regulations that prevent illegal transactions, such as the Foreign Corrupt Practices Act of the United States and the Bribery Act (2010) of the United Kingdom. In addition, the Ricoh Group Bribery Prevention Guidelines for Third Parties has been enacted as a means to prevent corruption among Ricoh Group business partners. ›[1]

Hotline system

The Ricoh Group Hotline has been in operation since April 2003 in Japan as a contact point for all directors and employees wishing to report incidents or seek advice. Independent contact points have also been established externally as the first point of contact. To make the Hotline easier for employees to use, we continuously review its hours of operation and procedures. In addition, major Group companies worldwide have established and operate reporting and advice contacts.

Whistleblowers are protected from retaliation by rules prohibiting discriminatory acts against those who have contacted the Hotline.

[1] **Business partners**
refer to organizations and individuals outside the Ricoh Group which perform services that contribute to the profits of any Ricoh Group company or that represent any Ricoh Group company.

Basic flow of the Hotline system in Japan

- Refer to our website

[1] **Compliance** www.ricoh.com/governance/compliance.html

■ Risk management ›2

Total risk management (TRM) system

Based on the Risk Management Principles stipulated in the Ricoh Group Corporate Management Principles, the GMC/Internal Control Committee has established a risk management area of responsibility for each business risk and implemented thorough risk management in daily execution and business operations. In addition, the Group has established a division supporting risk management, which provides comprehensive support for executives, risk management areas, and all divisions within the Group.

Managerial Risk and Sectoral Risk

In order to secure an effective and efficient risk management operation, risks are categorized and specified as Managerial Risks that threaten human life, greatly impact society, or greatly damage in value in the event they occur; or cause Sectoral Risks which are controlled by each business unit/ Group company. The PDCA (Plan, Do, Check and Act) cycle of risk management is then carried out depending on the importance of each risk.

Determining and reviewing managerial risks

The Group assigns a risk value based on frequency and degree of impact for external risks such as world trends, incidents and accidents, as well as for internal risks such as changes in the business structure, and creates a two-dimensional risk map to define managerial risks. This is reviewed annually at the time the business plan is being created.
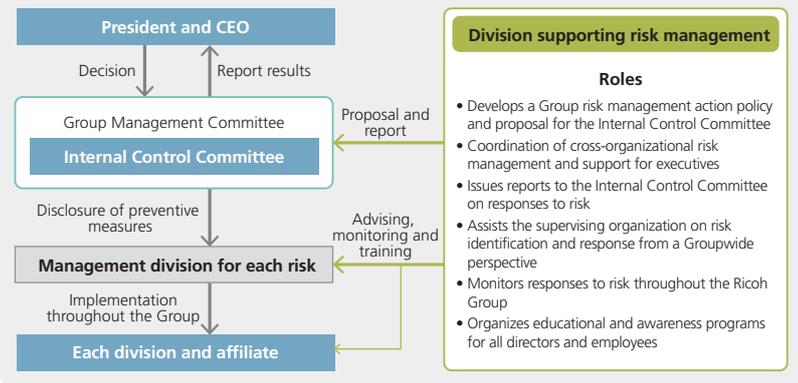
Major risks

The Ricoh Group pays particular attention to the following types of risk to prevent incidents that may have a major negative impact on corporate business activities, and to minimize the damage in the event they occur.

- Natural disasters • Serious accidents • Exchange rate fluctuations
- Serious quality problems • Difficulty in acquiring raw materials
- Leaks of personal information and corporate secrets • Bribery
- Insider trading • Violation of environmental regulations
- Violation of import/export regulations • Human rights issues
- Fraud in relation to business operations, etc.

Responding to incidents and accidents

To respond quickly and appropriately in the event of an incident, we clarify areas of management responsibility and reporting levels according to the nature of the incident. At the same time, we propose the implementation sequence of emergency response procedures and reports to the president and relevant executives based on the president's policies as applied to the RGS.

◼ Refer to our website

2 Risk management www.ricoh.com/governance/risk.html

Risk management process

Division supporting risk management

Roles
- Develops a Group risk management action policy and proposal for the Internal Control Committee
- Coordination of cross-organizational risk management and support for executives
- Issues reports to the Internal Control Committee on responses to risk
- Assists the supervising organization on risk identification and response from a Groupwide perspective
- Monitors responses to risk throughout the Ricoh Group
- Organizes educational and awareness programs for all directors and employees

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During the fiscal year ended March 31,2016, a major accounting violation occurred in India, requiring disclosures to external organizations.

Financial irregularities at Ricoh India
An independent auditor that Ricoh India appointed in 2015 raised concerns regarding reporting, and delayed the publication of the results until the matter could be concluded. Ricoh India's audit committee, together with its accountants and lawyers in India, undertook an internal investigation which revealed that some employees had falsified accounts. Ricoh India announced its fiscal 2016 results on November 18, 2016.

Timeline
- Ricoh India bolstered corporate governance by changing its independent auditor after filing its results for the first quarter ended June 30, 2015.
- In the second quarter of that year, the new independent auditor raised concerns toward Ricoh India's management and audit committee regarding financial irregularities on the part of some employees.
- Ricoh India's audit committee appointed external experts and undertook an internal investigation, which heightened concerns that accounting violations had occurred, with the company filing a report with the Bombay Stock Exchange on April 20, 2016.
- On July 19, Ricoh India continued its probe into financial irregularities by some employees, announcing that it projected losses for the year ended March 31, 2016, to reflect corrected results.
- On November 18, Ricoh India announced its results for the year ended March 31, 2016.

Note: We will leverage our website and other vehicles to promptly share any information that should be disclosed regarding Ricoh India.

Ricoh takes the above matter seriously, and will fully cooperate with any continuing oversight by India regulators and courts. Concerning its global systems, it will reflect external expert assessments of the effectiveness of governance and internal controls at overseas subsidiaries in formulating and deploying measures to reinforce internal audits at those subsidiaries and prevent similar incidents from recurring.

Business continuity plan

The Ricoh Group has created a business continuity plan (BCP) to enable the business to quickly recover and continue and to minimize the degree of damage in the event of an unanticipated disaster or accident. In addition to the BCP itself, measures are in place throughout the Ricoh Group to facilitate responses within the scope of business continuity management (BCM), covering implementation, application, education, training, correction and revision of prevailing BCPs, which include the current BCP implemented throughout the Group to ensure a common response to new strains of influenza and widespread natural disasters in Japan.