

# Corporate Governance

**RICOH**  
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**April 11, 2019**

**Nobuo Inaba**

**Chairman of the Board**

**Ricoh Company, Ltd.**

## Simultaneously deploy growth strategies, enhance returns on capital, and reform governance

### Growth strategies deployment

Implement RICOH Ignite growth strategies, reaching targets for FY2022 and generating sustainable growth thereafter

### Enhance returns on capital

Enhance returns on capital and materialize growth strategies by deploying appropriate capital policies and investments

### Corporate governance reforms

Driving growth strategies by properly evaluated and incentivized corporate governance system

# The Evolution of Governance at Ricoh

## Building a world-class governance structure

### 2000 First management reorganization

Outside directors appointed  
Executive officer system introduced

### 2005 Second management reorganization

Nomination and Compensation Committee formed

## Effective governance reforms to overcome poor performances

### 2015 Director appointed to oversee corporate governance

### 2016 Governance system reviewed

Nomination and Compensation Committee separated  
Chairman of the Board made non-executive director  
Number of outside directors and auditors increased

### 2017 Nomination and Compensation Committee structures reviewed

(chaired by outside directors, with majorities of members being non-executive directors)

### 2018 Director terms limited to one year

**Management advisory system for retired senior executives reviewed**

**Annual evaluation system deployed for CEO and directors**

**Governance Review Meeting established**

### 2019 Reinforced executive officer selection process

**Introducing stock price-linked remuneration**

(subject to shareholder approval in June 2019)

**Increased independence of auditor appointments**

**Established Risk Management Committee**

### Product and services progress

Digitization

Colorization

Solutions services expansion

### Sales channel and business expansion

Lanier Worldwide made wholly owned subsidiary

Hitachi Printing Solutions acquired

IBM Printing Systems acquired

IKON acquired

### Results growth

#### FY2006

Sales exceeded ¥2 trillion

#### FY2007

Sales up for 14th consecutive year  
Record earnings for third straight year

### Business climate deterioration

Lehman Shock

Paperless processes

Declining prices

### Sluggish performances

#### FY2008

Net sales down 5.8% (YoY)  
Operating profit down 58.9% (YoY)

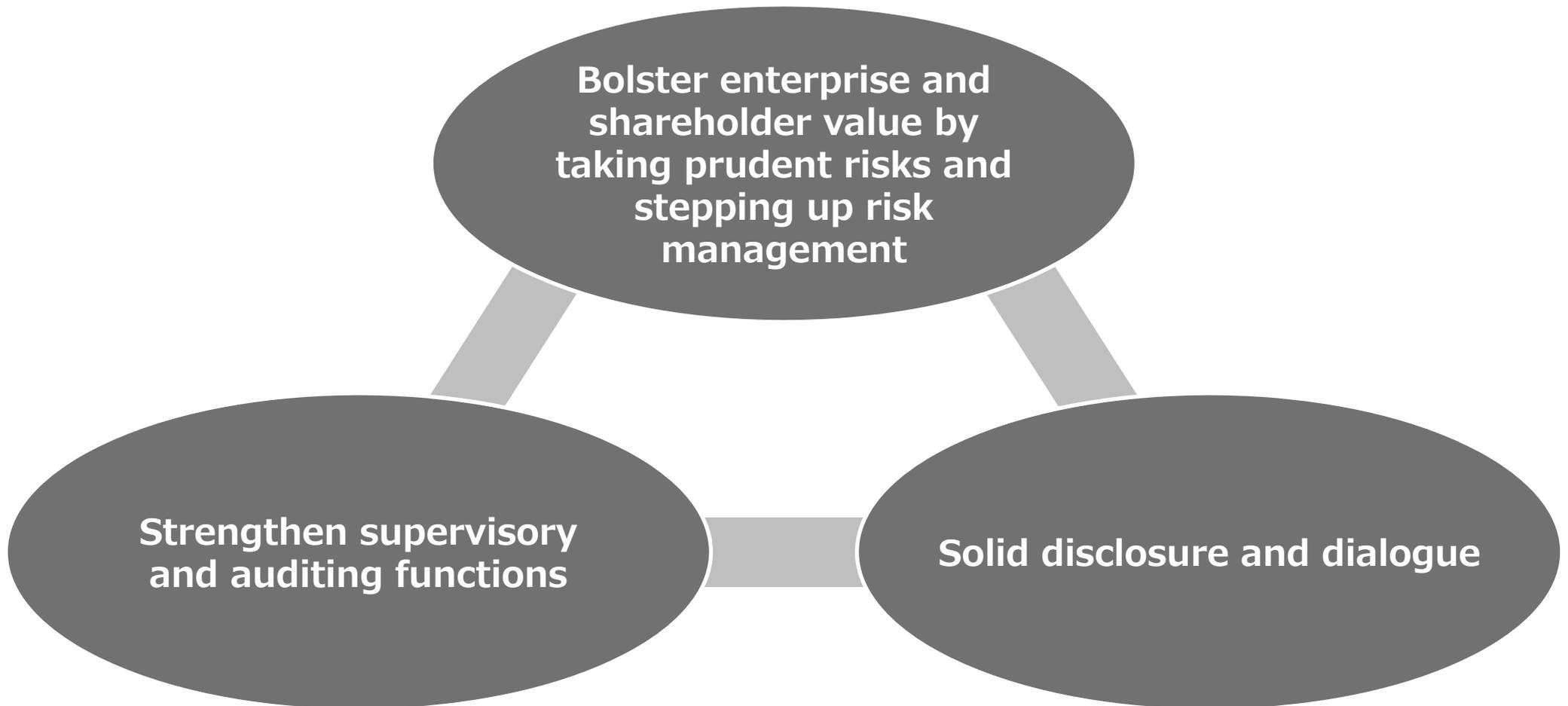
#### Impairment Losses

2012 ¥36.9 bn,  
Production printing business  
2016 ¥9.4 bn, Camera business  
2017 ¥178.9 bn,  
North American operations

Ricoh India issue

## **Basic Stance on Governance**

Pursue world-class governance reforms as befitting a global player



# Leveraging Non-Executive Directors to Bolster Ricoh

Using non-executive directors well versed in internal situation but distanced from implementation

- As an independent Chairman, endeavor to run Board of Directors objectively and effectively
- Act as a hub with implementers to supplement internal information for outside directors

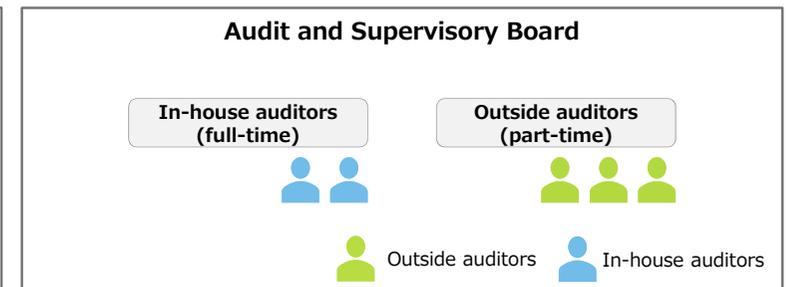
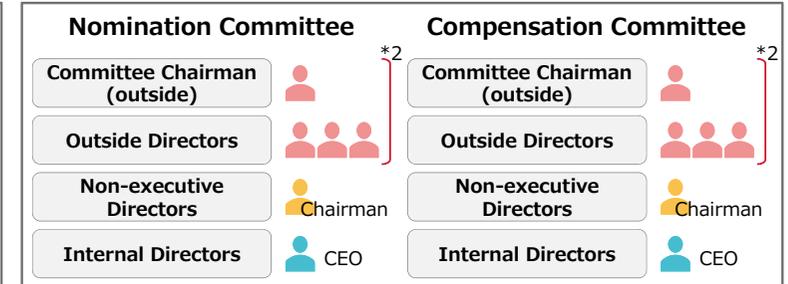
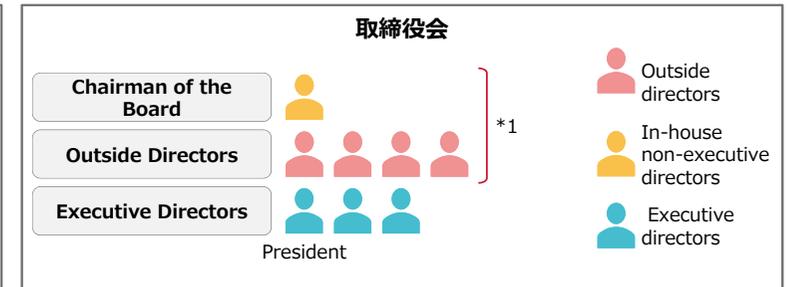
Maintaining a setup in which oversight and auditing are highly independent, objective, and effective

- Have non-executive directors constitute majority on Board of Directors, with outsider directors predominating on Nomination and Compensation committees
- Have mostly outsiders on Audit and Supervisory Board

Instituting specialist, independent supervisory and audit and nomination and compensation entities

- Board of Directors: Board of Directors Office
- Nomination and Compensation committees: Board of Directors Office
- Audit and Supervisory Board: Audit and Supervisory Board Office

## Ricoh's governance structure



\*1 : Majority of non-executive directors    \*2 : Majority of outside directors

# Reforms Fostering Healthy Risk Taking

## Structure and systems for fostering the pursuit of new challenges and managing risk taking

- Abolished advisory posts through which former CEOs and chairmen remained involved in management
- Instituted stock performance-linked remunerations
- Undertook special projects in which those in oversight and executives collaborate to swiftly address key management issues **(See Note 1)**
- Systematized strategic and operational risks and tasked Risk Management Committee to oversee risks according to impact

## Timely and suitable performance assessment and appointments and dismissals in view of results accountability

- Limited director terms to one year
- Nomination Committee evaluates CEO and directors twice annually, with the Board of Directors determining appointments and dismissals in light of findings **(See Note 1)**
- Conducted evaluations are diverse short-, medium-, and long-term perspectives and stepped up reporting to Board of Directors to enhance management **(See Note 3)**

## Strengthened auditing by securing highly independent corporate auditors

- Bolstered collaboration between auditors and internal auditing department
- Enhanced independence, transparency, and objectivity of process for appointing candidates
- Reviewed criteria and process for evaluating accounting auditors

### Note 1. Key special project themes

- **FY2017** Including structural reforms, business management unit reviews and asset assessments, investor and shareholder relations improvements, and governance reforms
- **FY2018** Including capital returns management, risk management, and director system reforms

### Note 2. CEO and director assessment processes

- **Primary assessments**  
We ensure timely appointments and dismissals by having the Nomination Committee deliberate whether the CEO and directors should retain their posts
- **Secondary assessments**  
The Nomination Committee evaluates the CEO and directors based on performance indicators, reporting to the Board of Directors and feeding results back to these individuals as part of ongoing efforts to strengthen management

### Note 3. CEO and director evaluation items

- **Financial perspectives**  
Results, returns to capital Profitability, and other key performance indicators
- **Shareholder and capital market perspectives**  
Including comparisons of comparisons of total shareholder return trends and key performance indicators and analyst assessments
- **Non-financial perspectives**  
Including ESG efforts, customer and employee satisfaction, and safety and quality



## Ensuring Solid Disclosure and Dialogue

**Proactively disclosing supervisory and audit effectiveness, companywide governance issues, and related deliberations and initiatives**

**Engaging with shareholders and other stakeholders through shareholder and investor relations efforts based on ample disclosure**

### Examples of disclosure at Ricoh

- Detailed findings of Board of Directors effectiveness assessments
  - Annual
  - Presented in corporate governance report and shareholder meeting convocation notices
  - Directors and auditors clarify issues for the current fiscal year and present them as the improvement agenda for the next term as part of detailed disclosure of the PDCA situation to enhance the effectiveness of the Board of Directors
- Details of governance review panel deliberations
  - Semiannual
  - Recorded in governance reports
  - Presenting overviews of panel agendas, deliberations, and issue consciousness in comprehensive governance assessments of this panel of directors and auditors
- Auditing results report
  - Annual
  - Included in shareholder convocation notice
  - Augmenting audit reports with information encompassing such aspects as the content and structure of audit activities and issues being closely monitored

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# Forward-Looking Statements

The plans, prospects, strategies and other statements, except for the historical events, mentioned in this material are forward-looking statements with respect to future events and business results. Those statements were made based on the judgment of Ricoh's Directors from the information that is now obtainable. Actual results may differ materially from those projected or implied in such forward-looking statements and from any historical trends. Please refrain from judging only from these forward-looking statements with respect to future events and business results. The following important factors, without limiting the generality of the foregoing, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- a. General economic conditions and business trend
- b. Exchange rates and their fluctuations
- c. Rapid technological innovation
- d. Uncertainty as to Ricoh's ability to continue to design, develop, produce and market products and services that achieve market acceptance in hot competitive market

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**Note: In this document, fiscal years are defined as follows:  
FY2018 = Fiscal year ended March 31, 2019, etc.**