Maintaining Ricoh’s corporate value on behalf of all stakeholders

The Ricoh Group established The RICOH Way as a set of guiding principles and values that serves as the foundation for all our business activities. Abiding by these principles in corporate ethics and compliance and maintaining transparency in management, we continuously strive to improve our governance, and in doing so ultimately enhance our corporate value.

Corporate governance

We strongly believe that responsible global citizenship calls for a corporate culture that embraces a sense of mission to meet the expectations of diverse stakeholders—a culture that is committed to operating under the highest ethical standards in line with the expectations of society as a whole.

Based on this belief, we advance the operations of the entire Group under The RICOH Way, strengthening our governance and ceaselessly promoting a culture of integrity while working toward sustainable corporate growth.

We implemented a revised corporate governance structure in April 2016 to ensure sustainable growth and bolster our corporate activities.

The Group has also implemented an integrated risk management system for both business opportunities and business execution, and it follows internal control procedures to achieve the success of our corporate strategies and business targets.
Revisions to corporate governance structure

We fostered new growth challenges by encouraging outside, non-executive, and executive directors to draw on their expertise and experience in deliberating extensively on important matters. We also built a structure to supervise management from the perspectives of shareholders and diverse other stakeholders.

### Governance structure

- The Ricoh Group has introduced a corporate audit system.
- The Board of Directors is responsible for management oversight and important decision making concerning Group management. By appointing highly independent outside directors, the Group ensures greater transparency in its management and decision making.

- Four of the Board’s 11 directors are outside directors—part of an effort to incorporate various views and opinions and to eliminate arbitrary decision making in management.
- The Board of Directors Office was established to foster resolute decision making and help maintain highly transparent management supervision.
- Audit and Supervisory Board members hold discussions to determine audit and supervising policies and the assignment of duties, and they monitor corporate management.

<table>
<thead>
<tr>
<th>Board of Directors and Audit and Supervisory Board</th>
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</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td></td>
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<tr>
<td>Maximum number of directors:</td>
<td>15</td>
</tr>
<tr>
<td>Current number of executives:</td>
<td>11</td>
</tr>
<tr>
<td>(including 4 outside directors)</td>
<td></td>
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<tr>
<td>Term:</td>
<td>2 years</td>
</tr>
<tr>
<td><strong>Audit and Supervisory Board</strong></td>
<td></td>
</tr>
<tr>
<td>Maximum number of Audit and Supervisory Board members:</td>
<td>5</td>
</tr>
<tr>
<td>Current number of executives:</td>
<td>5</td>
</tr>
<tr>
<td>(including 3 outside Audit and Supervisory Board members)</td>
<td></td>
</tr>
<tr>
<td>Term:</td>
<td>4 years</td>
</tr>
</tbody>
</table>

(As of June 17, 2016)
Audit and Supervisory Board members attend all important meetings, including but not limited to Board meetings, and exchange information regularly with the representative directors.

The Audit and Supervisory Board Members Office, with designated support staff, has been established to ensure that the Audit and Supervisory Board members can work effectively.

Under the executive officer system, the authority to carry out business has been assigned to respective functional departments so as to expedite decision making and clarify the roles of each department.

Nomination and Compensation Committees
As part of efforts to reinforce management supervision and decision making by the Board of Directors, we set up the Nomination Committee, whose three outside directors comprise its majority of members. The Committee is chaired by an outside director. We also established the Compensation Committee, whose four outside directors similarly constitute its majority of members. These bodies ensure transparency and objectivity in appointments and dismissals and compensation for directors and executive officers.

Group Management Committee
The Group Management Committee (GMC) consists of executive officers and is a decision-making body empowered by the Board of Directors. The GMC facilitates deliberations and renders decisions on the Group’s overall management from the perspective of total optimization.

Internal auditing
The Internal Management and Control Division, which is in charge of internal auditing, objectively reviews and assesses the status of business execution by respective business divisions according to clearly defined rules to ensure legal compliance and adequacy of execution practices. It also provides advice and recommendations for improvement. The results are regularly reported to the GMC’s Internal Control Committee.

External auditing
Ricoh has formulated a set of guidelines called the “Policy and Procedures for Prior Approvals for Audit and Non-audit Services.” In accordance with these guidelines, advance approval must be obtained from the Audit and Supervisory Board members concerning the details of and fees for auditing contracts.

Assessing effectiveness of Board of Directors
Under a new structure deployed in 2016, the Board of Directors and the Audit and Supervisory Board assess their own effectiveness. The goal is to ensure that the Board of Directors fulfills its roles and duties through autonomous improvements.

Executive compensation
In its pursuit of increased shareholder value, the Ricoh Group employs executive compensation as an effective incentive to achieve sustainable increases in corporate earnings over the medium and long term.

The base salary of directors consists of remuneration related to management oversight, remuneration reflecting the importance of individual roles and responsibilities, remuneration for the purpose of purchasing treasury stocks (except for outside directors), and variable remuneration linked to stock price performance during the relevant fiscal year. The Ricoh Group has been strengthening incentives for executives to increase shareholder value over the long term by allocating a portion of remuneration for stock repurchase so that executives will have a common interest with shareholders.

The amount of bonuses paid to directors is based on the attainment of key performance indicators—such as sales, operating income and ROA—that pertain to shareholder value and the Company’s competitiveness. Proposed bonuses for directors are brought before the general meeting of shareholders for approval.

Compensation paid to the Audit and Supervisory Board members is composed solely of remuneration for their auditing duties.

### Executive compensation for fiscal 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>¥ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors (excluding Outside Directors)</strong></td>
<td>7</td>
<td>479</td>
</tr>
<tr>
<td><strong>Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members)</strong></td>
<td>2</td>
<td>52</td>
</tr>
<tr>
<td><strong>Outside Directors and Audit and Supervisory Board Members</strong></td>
<td>5</td>
<td>59</td>
</tr>
<tr>
<td><strong>Outside Directors</strong></td>
<td>3</td>
<td>43</td>
</tr>
<tr>
<td><strong>Outside Audit and Supervisory Board Members</strong></td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14</td>
<td>591</td>
</tr>
</tbody>
</table>
Attended 9 of the 11 auditors’ meetings held in the term ended March 2016 (attendance rate: 82%).

**Contributions**

- **Kunihito Minakawa**, Audit and Supervisory Board Member
- **Katsumi Kurihara**, Audit and Supervisory Board Member
- **Kimitoshi Yabuki**, Outside Audit and Supervisory Board Member
- **Takashi Narusawa**, Outside Audit and Supervisory Board Member
- **Shigeru Nishiyama**, Outside Audit and Supervisory Board Member

Contributions:

- Attended 9 of the 11 board meetings held in the term ended March 2016 (attendance rate: 82%).
- Attended 9 of the 11 auditors’ meetings held during the same period (attendance rate: 82%).

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**Audit and Supervisory Board**

- **Kunihito Minakawa**, Audit and Supervisory Board Member
- **Katsumi Kurihara**, Audit and Supervisory Board Member
- **Kimitoshi Yabuki**, Outside Audit and Supervisory Board Member
- **Takashi Narusawa**, Outside Audit and Supervisory Board Member
- **Shigeru Nishiyama**, Outside Audit and Supervisory Board Member
Comments from Outside Directors

Accommodate change by making safety, the environment, and compliance top priorities

Kunio Noji
Currently
Chairman of the Board, Komatsu Ltd.; Outside Director, NEC Corporation
Reason for appointment
Mr. Noji was president and CEO of Komatsu Ltd. He has abundant experience and expertise as a member of top-management of one of the leading companies in Japan. We believe that his wealth of experience and knowledge will greatly benefit our decision-making process, and Mr. Noji will be able to offer us useful advice and counsel from an independent perspective.
Activity status
He attended 11 out of 11 Board meetings held in fiscal 2016.

Japanese companies continue to experience unstable operating climates, notably because of the emergence of China as an economic and political power and a high Japanese yen. Global social changes are also having a great impact on operations, an example being the United Kingdom’s decision to leave the European Union. On top of that, accelerating technological change in the Internet of Things, artificial intelligence, and other areas are transforming the offices that are central to Ricoh’s operations and the nature of business itself.

I am thus convinced that the Ricoh Group can generate sustainable growth only by flexibly tackling the challenges of change. It must particularly concentrate its business resources, formulate regional strategies, engage in open innovation, and build new business models. I will draw on my understanding of Ricoh’s strengths in sharing my insight with other members of the Board of Directors.

As it addresses change, I believe that it will be important for Ricoh to keep constructing a corporate culture that makes safety, the environment, and compliance its top priorities. I will keep endeavoring as an outside director to help enhance its corporate culture.

Create a corporate culture that promotes self-reliance

Makoto Azuma
Currently
Professor, Department of Electrical and Electronic Engineering, School of Engineering, Tokyo Institute of Technology; Council Member, Science Council of Japan
Reason for appointment
Mr. Azuma was executive vice president and CTO (chief technology officer) of Toshiba Corporation and is currently a professor at Tokyo University of Science Graduate School of Innovation Studies. His wealth of knowledge regarding technology strategy and managerial expertise will help shape and integrate our decision making and guide our efforts from an objective, expert perspective.
Activity status
He attended 11 out of 11 Board meetings held in fiscal 2016.

Companies can expose themselves to problems of their own doing when they become too big. While shifts away from founding stances in view of changing political, economic, and social landscapes can lead to corporate malaises, I think the fundamental cause is that people tend to function more mechanically as organizations grow.

Ricoh started out 80 years ago by marketing sensitized paper. It has since grown into an organization with net sales exceeding ¥2 trillion by constantly pioneering innovations. Examples include the mass production of cameras, the office automation concept, and digital technology applications. Today, Ricoh derives 65% of its revenues from office imaging. Left unchecked, this situation could lead to internal complacency, which is symptomatic of corporate malaises. So as an outside director, I wish to contribute to the Board of Directors by fostering a culture of self-reliance among Ricoh employees. In that regard, I particularly wish to assist its engineers to make it easier for them to craft new technologies and business ideas.

New Outside Directors

Masami Iijima
Currently
Representative Director, Chairman of the Board of Directors, MITSUI & CO., LTD.
Reason for appointment
Mr. Iijima accumulated a wealth of experience as an executive at MITSUI & CO., LTD. He should contribute significantly to decision making at Ricoh through his independent oversight and advice. Ricoh filed to appoint Mr. Iijima as an outside director on the basis that he is an independent officer without conflicts of interest with the Company or its shareholders, as set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.

Mutsuko Hatano
Currently
Professor, Department of Electrical and Electronic Engineering, School of Engineering, Tokyo Institute of Technology; Council Member, Science Council of Japan
Reason for appointment
Ms. Hatano is a professor in the electrical and electronics fields at the Tokyo Institute of Technology, and has served on numerous committees for government institutions. She should contribute significantly to decision making at Ricoh through her independent oversight and advice. Ricoh filed to appoint Ms. Hatano as an outside director on the basis that she is an independent officer without conflicts of interest with the Company or its shareholders, as set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.