

Internal controls > 1

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 results 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 ensures that corporate disclosure is accurate, timely and comprehensive. The CFO also oversees disclosure and chairs the Disclosure Committee, which determines the importance and need for disclosure and 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 > 2

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 > 3](#), 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 > 4](#) for third parties has been enacted as a means to prevent corruption among Ricoh Group business partners. > 1

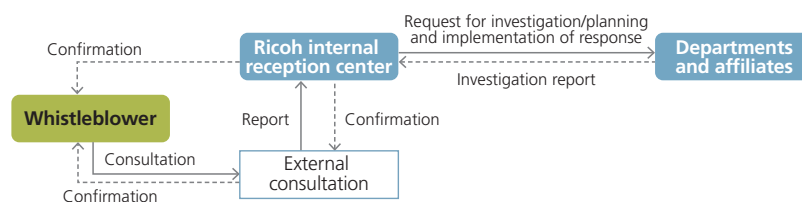
Hotline system

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.



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 Internal controls www.ricoh.com/governance/system.html
- 2 Compliance www.ricoh.com/governance/compliance.html
- 3 Ricoh Group Code of Conduct www.ricoh.com/csr/vision/code_of_conduct.html
- 4 Ricoh Group Bribery Prevention Guidelines www.ricoh.com/governance/trm/pdf/bribery3rd.pdf

In addition, major Group companies worldwide have established and operate a reporting system and advice contacts. We evaluate the hotline system during internal audits.

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

Risk management >

Total risk management (TRM)

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. The Group established a unit that is independent of divisions to comprehensively support executives, risk management areas, and all divisions within the Group.

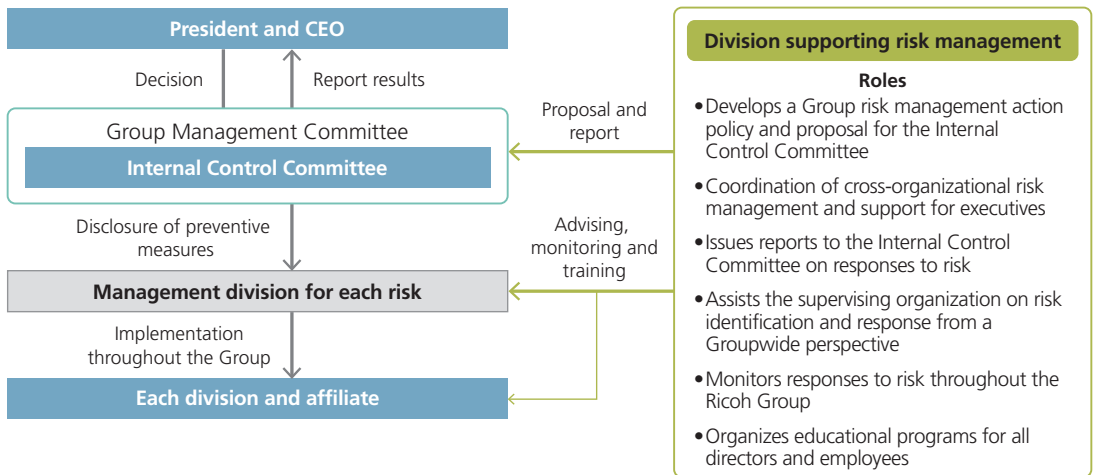
To streamline risk management groupwide, the Group Standard (which defines the Basic Rules for Ricoh Group Total Risk Management) is explained to

major affiliates through the Guidelines for Implementing Affiliated Company Risk Management.

We create risk management journals for specific risks relating to events, factors, preventive measures and advance preparations, and response measures. We accordingly rank implementation items each year, and plan, undertake, and report on them.

From the fiscal year 2018 ending March 31, 2019, the Group has introduced such a new process as the CEO tasks a senior executive to evaluate each management risk in charge and provide feedback on the results of risk management performance over a year following the action plan formulation so that enhanced management actions can be expected.

Risk management process



Focus managerial, managerial and sectoral risks

We undertake risk management PDCA's according to risk levels. We deem sectoral risks managed by Ricoh divisions and Group companies as managerial risks if the impact on human life or society or the monetary damage could be major if such risks materialize. We prioritize focus managerial risks where considering it important to undertake initiatives focusing on them in the relevant fiscal year.

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 it creates a two-dimensional risk map to define managerial risks. This is reviewed annually at the time the business plan is being created.

 [Refer to our website](#)

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

Focus managerial risks and managerial risks

In the fiscal year 2018, ending March 31, 2019, we have narrowed down and prioritized risk items and added management team assessment processes so as to further enhance effectiveness of risk management initiatives.

Focus managerial risks

- Information security
- Fraudulent accounting

Managerial risks

- Misappropriation of company asset by employees
- Serious quality problem
- Employment problem
- Harassment issues
- Inability to supply products (long term delay/suspension)
- Violation of export & import related legislation
- Large-scale disaster (quakes, flood, etc.)
- Child labor and other human rights issues
- Software copyright issues
- Competition law infringements
- Risk of strategy/ Management decision (M&A)
- Contracts related with IP and business at initial stage of R&D/business arrangement

Responding to incidents and accidents

Setting down the Ricoh Group Incident Management Standard for all affiliate companies in Japan and overseas, the Ricoh Group has created a system to deal with incidents that may have a negative impact on corporate business activities and to prevent reoccurrence based on the president's policies. TRM incidents are to be reported from the division in which the incident occurred through the management division primarily responsible for each incident, to the Ricoh President, the Internal Control Directors, a unit that oversees disclosure, officers connected to the case, and Audit and Supervisory Board Members. A summary of TRM incidents that have occurred during the most recent six months, together with a description of how they were dealt with and the measures taken to prevent reoccurrence, as well as changes in the numbers of occurrences classified by incident, are reported to the GMC and Board of Directors every six months. The GMC reviews management risks for the next fiscal year in light of these reports and incident frequency.

Among the reported incidents, the number of compliance-related TRM incidents (corresponding to GRI G4 SO5 (a)) in the past three years were 16 in the fiscal year ended March 31, 2016, 19 in the fiscal year ended March 31, 2017, and 27 in the fiscal year ended March 31, 2018.

Ricoh Group Code of Conduct Violations

Reports during period (percentages of total)

Total number of incidents in year ended March 31, 2018: 27

	03/16	03/17	03/18
Labor law violation	6		11
Professional misconduct	6		7
Embezzlement or theft	75	63	22
Corruption			4
Information security			4
Fraudulent accounting		5	4
Inappropriate reporting			19
Unfair trade practices			7
Other	13	32	22

Of these compliance-related TRM incidents, there was one major incident ¹ that required disclosures to external organizations in the fiscal year ended March 31, 2016, which was an accounting violation that occurred from India. ² However, there was no major incident in the fiscal year ended March 31, 2017.

We have disclosed information through our website and other channels about accounting irregularities at Ricoh India.

To date, we reinforced the operational management of subsidiaries, assessed the fitness of external auditors, enhanced the effectiveness of internal audits, bolstered global collaboration between internal auditing units, and have stepped up compliance training. We will continue to roll out measures to prevent a recurrence of such irregularities and strengthen governance in the Group.

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.



1 Criteria for determining major legal violations

The Ricoh Group employs the following four criteria in determining major legal violations:

1. Incidents matching those described in (b) through (d) of Indicator SO5 of the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative
2. Incidents matching important reporting information criteria in the Tokyo Stock Exchange's material facts list.
3. Government directives presented on the websites of Ricoh or the authorities
4. Other major matters that Ricoh's Internal Control Committee deems necessary to disclose

ii Refer to these pages

1 The Financial Irregularities at an Overseas Consolidated Subsidiary
P.15-16

Refer to our website

2 Financial irregularities at Ricoh India www.ricoh.com/governance/risk.html