



February 22, 2019

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Stock Exchange)  
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### **Notice Regarding Introduction of a Stock-based Incentive System with Stock Price Conditions for Directors of Ricoh**

Ricoh Company, Ltd. hereby announces that it has been decided at a meeting of the Board of Directors held on February 22, 2019 (“the Board of Directors meeting”), to introduce a new Stock-based Incentive System with Stock Price Conditions (“the System”) for the Company’s Directors (however limited to Ricoh’s Directors and Corporate Vice Presidents who have an employment contract with Ricoh, and excludes Outside Directors, Non-Executive Directors, Audit and Supervisory members who are independent of the execution of operation; hereinafter the same shall apply) The following contents are subject to change depending on future consideration.

Details regarding the System will be announced once decided at a future meeting of the Board of Directors. Introduction of the System is to be proposed at the 119th Ordinary General Meeting of Shareholders scheduled to be held in late June 2019 and it will be announced once decided.

#### **(1) Current basic policy and structure for the Company’s Directors Compensation**

Ricoh Group employs compensation for the Company’s Directors as an effective incentive to achieve a sustainable increase in corporate earnings over the medium and long-term. Compensation for the Company’s Directors consists of “basic compensation”, “bonus”, and “compensation reflecting the medium to long-term increase in shareholder value”.

##### **Basic compensation**

Basic compensation consists of compensation pertaining to management and the compensation reflects the importance of the individual’s role and responsibilities.

## Bonus

The bonus paid to the Company's Directors is determined based on the consolidated operating income, which is the key performance indicator reflecting the improvement in shareholder value and enhancement of the Company's competitiveness. Once the amount is decided, there is deliberation by the Compensation Committee on whether the compensation should be paid, and then proposed at a meeting of the shareholders for approval by the shareholders.

## Compensation reflecting medium to long-term increase in shareholder value

This consists of compensation to acquire stock and compensation that changes depending on Ricoh's stock price each fiscal year ("Stock Price-linked Compensation"). This is expected to give the Company's Directors a long-term perspective towards stock value, as our shareholders, and work as an incentive for increasing shareholder value.

### (2) Basic policy in reforming compensation for the Company's Directors

Ricoh will establish and introduce a trust to grant shares to the Company's Directors. This is aimed at reinforcing common interest between the Company's Directors and the shareholders. It will also realize a highly transparent and fair stock-based incentive system, with stock price conditions, to show commitment to sustainable development and medium to long-term improvement of our corporate value.\*1

We will discontinue the stock price-linked compensation for the Company's Directors and introduce this new system. The System will be designed so that the number of shares granted to the Company's Directors will be based on the comparative result of the growth rate of Ricoh's stock price and the growth rate of TOPIX (Tokyo stock price index) within a certain time frame. Shares will be granted at the time of his/her retirement as a Company Director.

\*1...Introduction of this system has been deliberated by the Compensation Committee, which is an advisory board of the Board of Directors with majority of the members being Outside Directors and Non-Executive Directors, in order to ensure transparency and objectivity of the process and result of the compensation system.

### (3) Design of the new compensation system for the Company's Directors (image)

By changing part of the compensation for the Company's Directors paid in cash to a stock-based incentive, we aim to reinforce common interest between the Company's Directors and our shareholders.

## Basic compensation

Basic compensation consists of compensation pertaining to management and the

compensation reflects the importance of the individual's roles and responsibilities.

#### Bonus

The bonus paid to the Company's Directors is determined based on the consolidated operating income, which is the key performance indicator reflecting the improvement in shareholder value and enhancement of the Company's competitiveness. Once the amount is decided, there is deliberation by the Compensation Committee on whether the compensation should be paid, and then proposed at a meeting of the shareholders for approval by shareholders.

Compensation reflecting medium to long-term increase in shareholder value

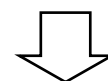
We will continue to provide compensation to enable the Company's Directors to acquire stock aimed to reinforce the incentive to further increase shareholder value.

#### Stock-based Incentive

The System will be designed so that the number of shares granted to the Company's Directors will be based on the comparative result of the growth rate of Ricoh's stock price and the growth rate of TOPIX (Tokyo stock price index) within a certain time frame. Clawback provisions will also be included. This means if there is any serious act of misconduct during term of office as the Company's Director, payment of stock-based incentives will either be limited or requested to be returned. This will follow defined procedures and specify any decision relating to clawback will be made at a meeting of the Board of Directors.

#### (Current compensation structure)

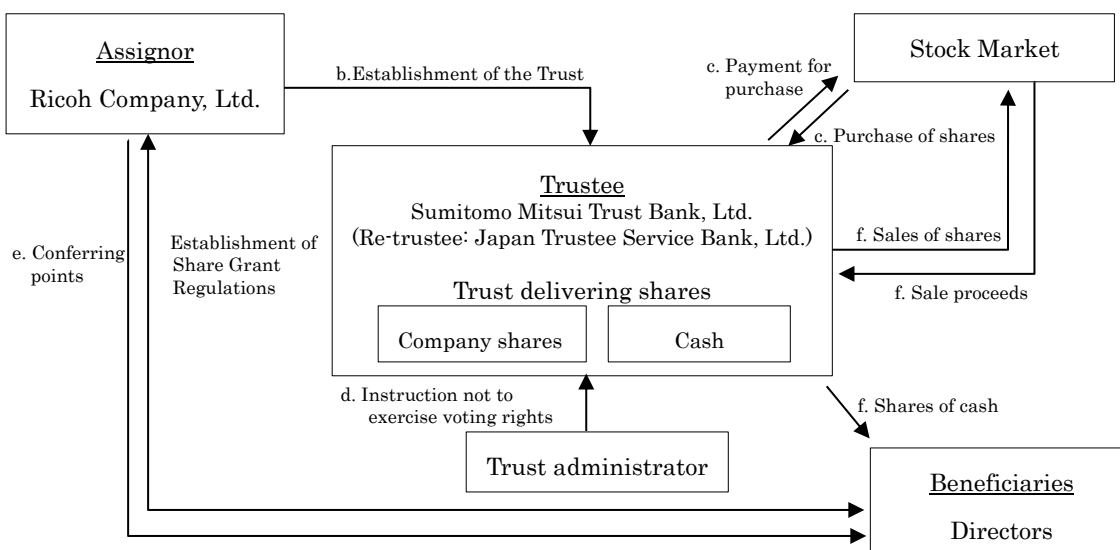
Fixed portion	Performance-based portion	Stock price-linked portion	
Cash	Cash	Cash	
Basic Compensation	Bonus	Compensation to acquire stock	
		Stock Price-linked Compensation	



#### (New compensation structure)

Fixed portion	Performance-based portion	Stock price-linked portion	
Cash	Cash	Cash	<b>Stock</b>
Basic Compensation	Bonus	Compensation to acquire stock	<b>Stock-based Incentive System with Stock Price Conditions</b>

#### (4) Structure of the System



- 1) The Company will establish Share Grant Regulations for the Company's Directors.
- 2) The Company will establish a) a "Trust for granting shares to Ricoh's Directors" (third-party benefit trust) with Ricoh's Directors as beneficiaries and b) a "Trust for granting shares to Corporate Vice Presidents" (third-party benefit trust) with Corporate Vice Presidents who have an employment contract with Ricoh as beneficiaries (together referred to as "the Trust"). In doing so, the Company entrusts an amount of money to the trustee equivalent to that for funds to acquire shares (provided, however, that the amount to be distributed to the Company's Directors will be within the amount approved at a meeting of the shareholders).
- 3) The trustee will acquire, in a single tranche, the number of shares in the Company sufficient for the expected future grant of shares (from the stock market, including in after-hours trading.)
- 4) The Company will appoint a trust administrator (independent of the Company and the its employees) to be responsible for protecting the interests of the beneficiaries subject to the Share Grant Regulations and to supervise the trustee throughout the trust period. The trust administrator will issue instructions to the trustee not to exercise any voting rights associated with the shares of the Company held in the "Trust for granting shares to the Company's Directors" throughout the trust period, and the trustee will comply with these instructions. The trust administrator will issue instructions regarding voting rights to the trustee for "Trust for granting shares to Corporate Vice Presidents".
- 5) The Company will confer points to the Company's Directors in accordance with the Share Grant Regulations.
- 6) Company Directors meeting the requirements set forth in the Share Grant Regulations and the trust agreement will receive, as beneficiaries of the Trust, a grant of shares in

the Company corresponding to the points conferred from the trustee. In certain specific cases set forth in advance in the Share Grant Regulations and the trust agreement, the trustee can sell a portion of the shares to be granted in the stock market and can grant cash instead.

#### Overview of the Trust

Name	Trust for granting shares to the Company's Directors	Trust for granting shares to Corporate Vice Presidents
Assignor	Ricoh Company, Ltd.	
Trustee	Sumitomo Mitsui Trust Bank, Ltd. (Re-trustee: Japan Trustee Service Bank, Ltd.)	
Beneficiaries	Ricoh's Directors who meet the beneficiary requirements	Ricoh's Corporate Vice Presidents who have an employment contract with Ricoh and meet the beneficiary requirements
Trust administrator	To be a third party independent of the Company and its employees.	
Non-exercise of voting rights	Voting rights associated with the shares of the Company held in the Trust shall not be exercised at all throughout the Trust period.	The trust administrator will issue instructions regarding voting rights associated with the shares held in the Trust.
Type of Trust	Trust of money other than money trust (third-party-benefit trust)	

The above contents are subject to change depending on future consideration.

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