Progress Report on Enterprise Value Improvement Project

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Akira Oyama
President and Chief Executive Officer
Ricoh Company, Ltd.

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- Following the Financial Summary, today, I will present a progress report on the Enterprise Value Improvement Project that we announced in May of this year.

Ricoh’s Vision (Recap)

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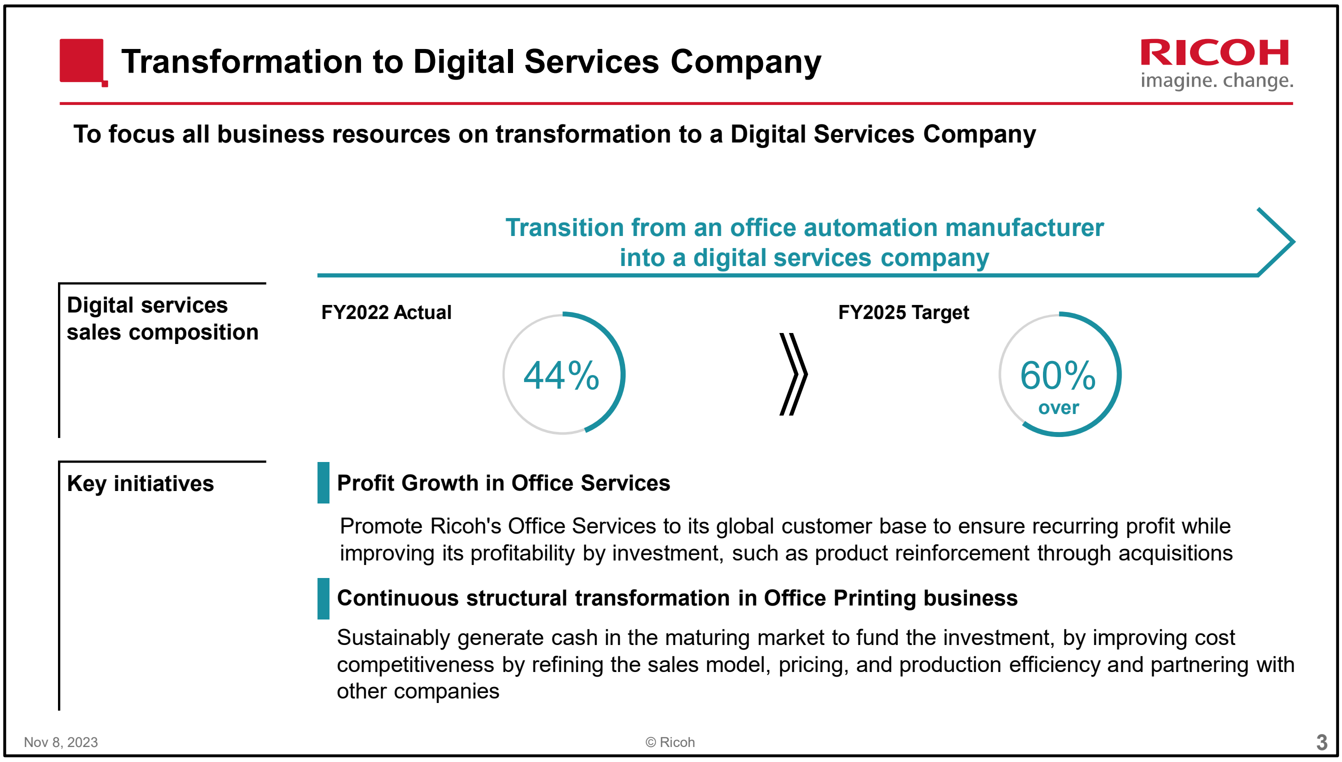
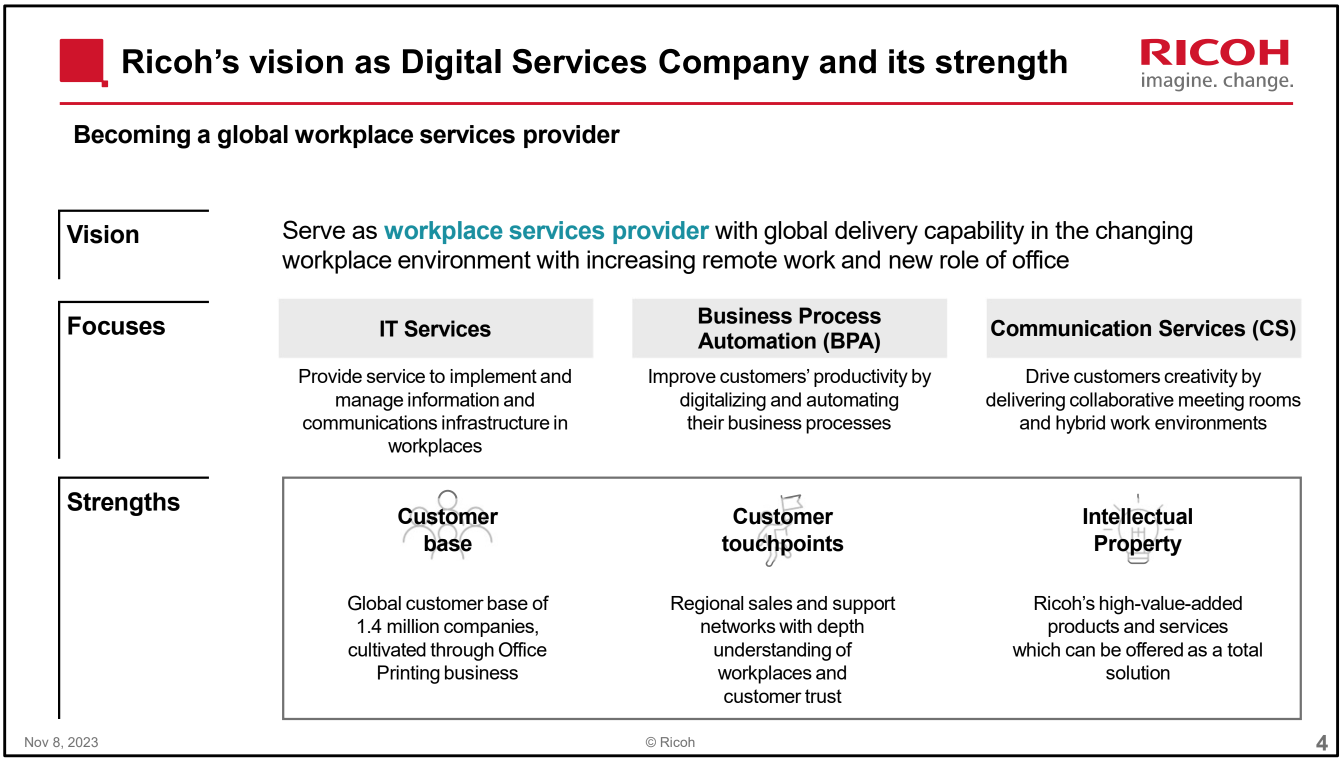
- Firstly, before explaining the progress of the project, I would like to recapitulate Ricoh's vision.



- We aim to progress steadily with ongoing efforts to transform into a digital services company. We believe that investors have encouraged our endeavors in that regard.
- As you can see in this slide, while digital services accounted for 44% of sales in fiscal year 2022, we target to increase that rate to 60% by fiscal year 2025.
- It is important here to generate steady earnings and cash from the Office Printing business and invest them in digital services. That means that even if the Office Printing business top line shrinks we can ensure a more efficient bottom line.
- Also, we will selectively reallocate various operational resources to Digital Services. We will accordingly change our cost structure and how we hold assets.
- Transforming into a digital services company should drive enterprise value improvements over the medium through the long term.



- I will explain our pivotal Office Services, focusing on our vision and strengths in that area.
- Our vision is to serve as a workplace services provider.
- We realized that the traditional term "office" no longer reflects the significant changes in people's work due to the COVID-19 pandemic. Therefore, we have employed the term "workplace" to include hybrid and remote working models.
- Our vision in digital services is to deliver consistent workplace services globally in the changing "workplace" practice.
- We have three particular focuses.
    - To cover the digital infrastructure of workplaces. The other is the IT services that build and run that infrastructure.
    - Business Process Automation helps customers to digitalize their business processes on top of the infrastructure.
    - Communication Services support new hybrid work environments and foster creative communications in workplaces.
- So, these are our main focuses.
- Our strengths are (1) our global customer base of 1.4 million companies, (2) our sales and service network that ensures close contact with them, and (3) our software and other IPs to solve the customer's pain points we understand through the network.
- Our consistent and unchanged vision is to become a global workplace services provider. I would like to explain our Enterprise Value Improvement Project, presuming that investors support our consistent vision.

Achievements and Challenges

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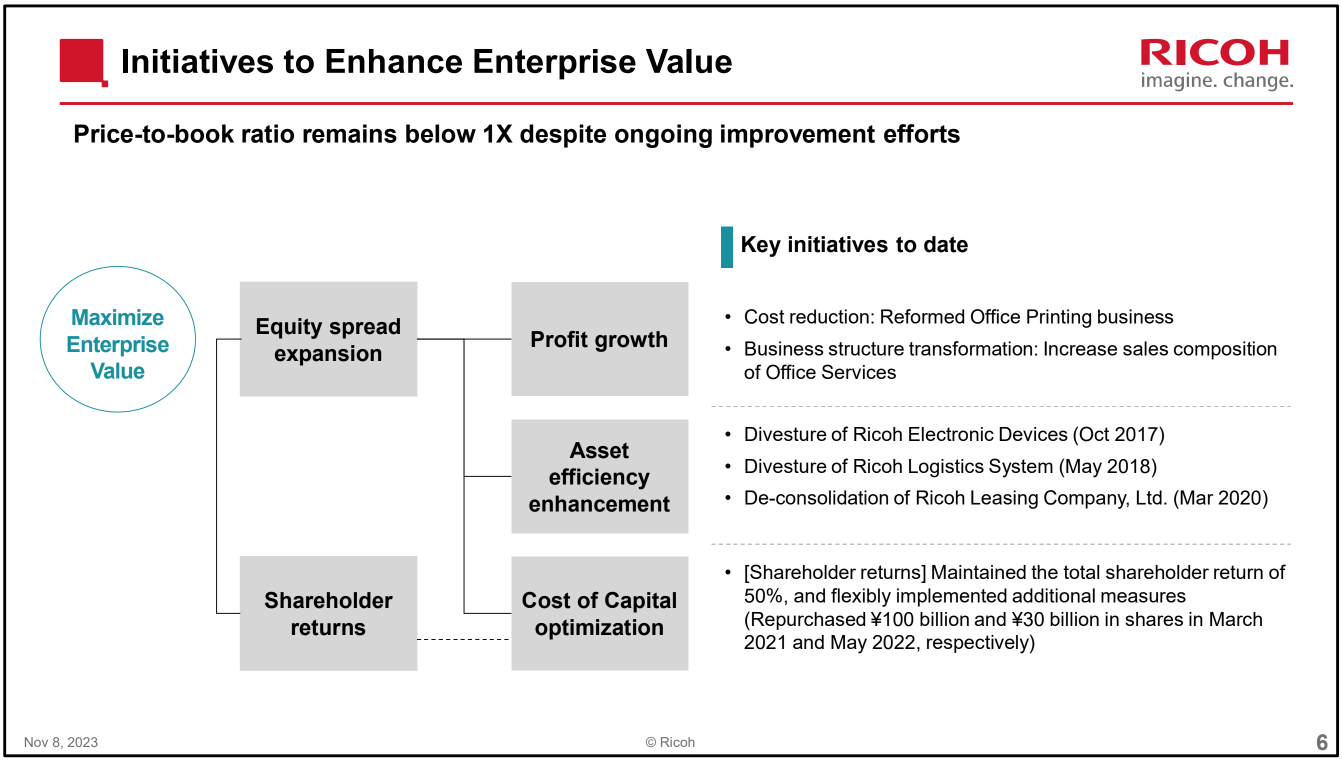

- I will first review efforts to date to enhance enterprise value. I will also share what we consider our challenges.
- We believe that our management team’s prime role is to increase enterprise value.
- We have undertaken various initiatives to maximize gains, such as to improve our equity spread and enhance shareholder returns.
- There are three equity spread improvement components. The first is profit growth. We will achieve that by lifting the profitability of the Office Printing business by reducing costs and by transforming the business structure to encompass more digital services.
- The second component is asset efficiency enhancement. We divested semiconductor manufacturer Ricoh Electronic Devices in October 2017 and Ricoh Logistics in May 2018. We lowered our stake in and deconsolidated Ricoh Leasing in March 2020.
- The third component is cost of capital optimization. We have repurchased shares to boost shareholder returns. We repurchased 100 billion yen and 30 billion yen in shares in March 2021 and May 2022, respectively.
- Despite striving to enhance enterprise value, our price-to-book ratio remains below 1x.

Underperforming ROE holding PBR down to below 1x level

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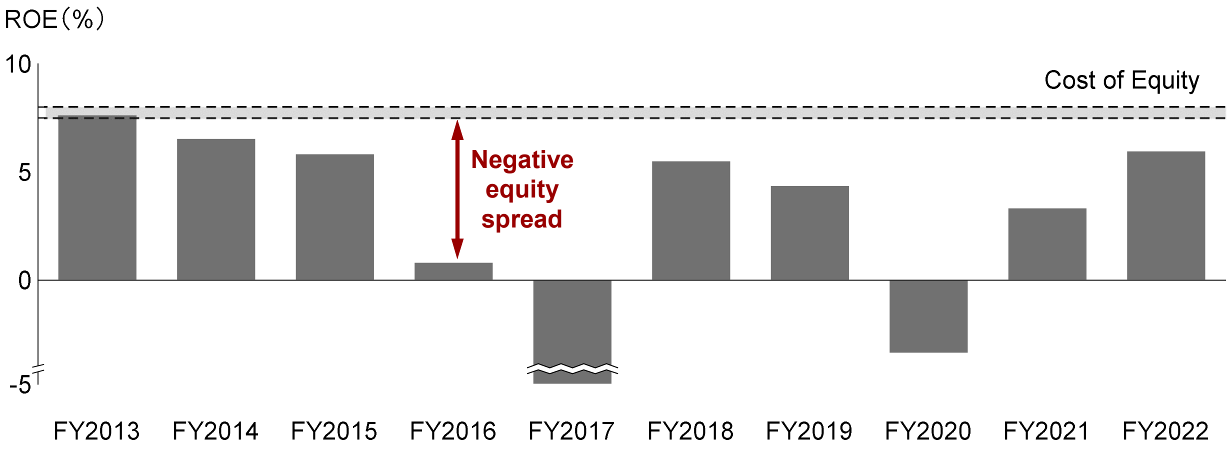
Equity spread remained negative persistently due to underperforming ROE



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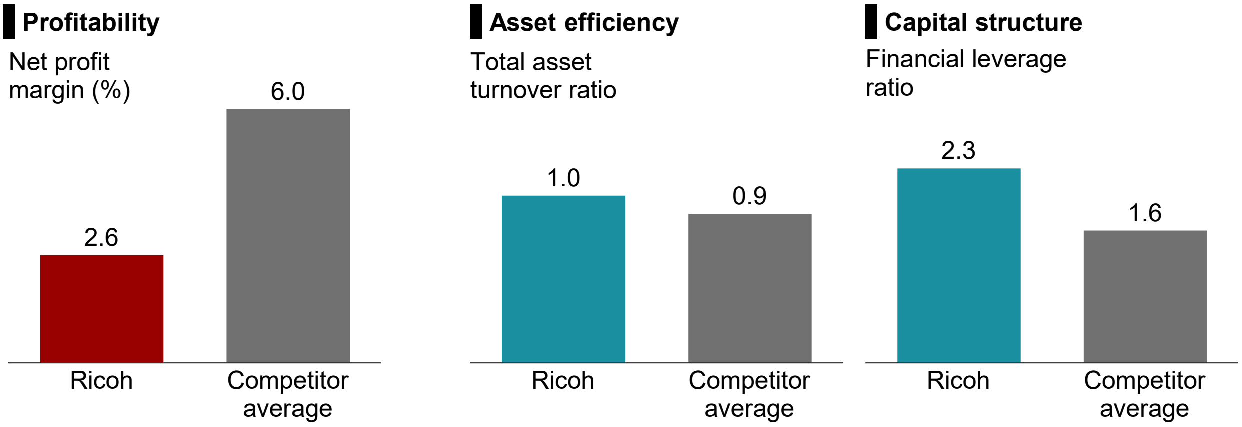
- The primary reason of the below 1x PBR is that equity spread has been almost consistently negative due to underperforming ROE.
- Ricoh has not been able to generate value and earnings exceeding the cost of equity, which is the expected return by investors.
- We launched the Enterprise Value Improvement Project in May 2023 to change this situation.

Analysis of Low ROE

Low profitability is the primary factor

Comparison with competitors,



Improve with a top priority

Maintain policies while continue to improve

Note: Competitor average is calculated as the simple average of four competitors in the office automation sector

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- I will explain why our ROE is underperforming and what we will do about it.
- The three components of ROE are profitability, asset efficiency, and the capital structure. We have compared each component with those of key competitors in the office equipment sector.
- The three graphs show that we face significant challenges in profitability, which is a component of ROE. This poor profitability is the cause of the underperforming ROE. We should also note that our profitability target should be even higher than the competitor average, as the competitors in the digital Service area have an even higher margin.
- Although our asset efficiency and capital structure seem to exceed the industry average, we would have to do better as a digital services company. We will keep striving to improve in those respects while upholding our policies.
- Still, our main challenge is profitability.

Feedback from Investors, Analysts, and External Experts

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While investors believe in Ricoh's vision…

"We have invested in Ricoh because we believe in its vision to become a digital services company"

… they are frustrated about Ricoh's past performance

" Low ROE stems largely from a lackluster profitability"

"Fixed cost reductions are failing to keep pace with declining print volumes"

"Aside from cost reduction initiatives, Ricoh's measures seem unlikely to enhance profitability from a market perspective"

"Repeated failures to reach targets have eroded confidence in management"

"While the market considers continuous reforms necessary, Ricoh seems to think that it has completed its reforms"

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- The data suggests that we need to become more profitable. We have additionally received a range of feedback from investors, analysts, and external experts.
- While we have received a variety of opinions on how Ricoh should improve PBR in our regular IR communications, I would like to thank all of those who provided additional opinions for this project.
- We received some positive comments on our vision to become a digital services company.
- However, we have also encountered a lot of frustration about our performance.
- For instance, "Low ROE stems largely from a lackluster profitability," "Fixed cost reductions are failing to keep pace with declining print volumes." Other examples were "Aside from cost reduction initiatives, Ricoh's measures seem unlikely to enhance profitability from a market perspective." Another was that "Repeated failures to reach targets have eroded confidence in management." Another point was that "While the market considers continuous reforms necessary, Ricoh seems to think that it has completed its reforms." While the internal reality is quite different, these are the external impressions.
- I truly appreciate these honest opinions, as it's very valuable to understand our situation objectively.
- Also, We also acknowledge and reflect upon the fact that we, as the management team, have not been able to gain sufficient trust. We hope to continue and repeatedly engage in such dialogues with the market.

Reflection and Future Policy

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Reflection

- The capital markets endorse Ricoh's vision to **transition into a digital services company** to a certain extent
- The capital markets point out **Ricoh's low profitability as the primary reason** for its low Price-to-book ratio
- The Office Printing **market will continue to shrink** and will not recover as expected

Future Policy

- **Focus business resources further on digital services, which have profitable recurring business, at an** accelerated pace from originally planned
- Conduct immense **profit structure transformation** to improve low profitability
- Maintain the mid-term management strategy targets for FY2025 of **¥130 billion in operating profit and over 9% in ROE**, while pursuing a 50% total shareholder return by **flexible measures such as lifting dividends**

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- I will now summarize where we are and are heading.
- We believe that the capital markets endorse our ongoing transformation into a digital services company.
- At the same time, many have pointed out that our low price-to-book ratio stems largely from our low profitability.
- We have also heard that we need to prepare to address any downturns in Office Printing, regardless of the scale.
- We will undertake the following policies in light of such advice.
- We will focus business resources on digital services, which offer particularly profitable recurring business opportunities. We will overhaul our profit structure to improve our profitability.
- We will maintain our mid-term management strategy targets for fiscal 2025 of 130 billion yen in operating profit and an ROE exceeding 9%. The ROE is important for us to achieve a price-to-book ratio of 1x.
- We are maintaining our 50% total shareholder return target. We will consider ongoing dividend increases and flexible measures to deliver additional returns.
- We will concentrate resources on digital services, to which end we will undertake a profit transformation program.

Accelerating transition to Digital Services

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Transformation Program Overview

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Transformation of Headquarters (HQ)	Acceleration of business selection and concentration	Transformation of Office Printing business structure	Acceleration of Office Services' profit growth
Optimizing R&D			
Optimizing back-office functions			

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- Here is an overview of the program. We will work on these four areas to change our profit structure. We will concentrate more resources on digital services to improve profitability and to grow profit.
- First, on the left, will be to transform headquarters so it is suitable for a digital services company. That will entail measures such as optimizing R&D themes and expenditures while optimizing back-office functions.
- Second, we will accelerate business selection and concentration, especially in low-profit and new businesses.
- Third, we will continue to reform and reinforce the Office Printing business to tackle a persistently shrinking market.
- We will also pursue sustainable profit growth and improve the profitability of the Office Services business, which is a prime earnings driver.

Transformation of HQ: Optimizing R&D

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Current

- R&D cover broad scopes and the expenses are **excessive** for a digital services company which **are unchanged for 10 years**
- Technology-driven, seeds-based investments in new areas have **brought challenges in commercialization and monetization**

Future policies

- Optimize scope and focus for business-unit R&D projects by **back-casting from future business structure**
- Focus investments in areas **compatible with Ricoh's digital services company vision**
- **Cap the innovation exploration investments** and emphasize efficiency and speed by leveraging CVC and corporate partnerships

Key measures and anticipated benefits

Review appropriate companywide R&D expense	Focus R&D expenditures on workplace areas	Explore innovations by utilizing CVC and corporate partnerships

- Increase R&D expenses in workplace areas, the core of the digital services in line with the above allocation policy while lowering spending in other areas.
Accordingly, **optimize annual companywide R&D expenses at around ¥80 billion by FY2025** (**approx. ¥30 billion lower** than in FY2022)

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- Here, you see how we will optimize R&D in transforming headquarters.
- While transitioning into a digital services company, we have not progressed in reviewing R&D themes. Our R&D expenditures have remained unchanged for almost a decade.
- Also, we have undertaken technology-driven seeds-based investments in new areas. While seeking to leverage our strong technology in practical applications, the problems have been that our investments have extended into various domains or that customer knowledge in targeted areas has been insufficient to guarantee success. So, we will reflect on such factors in fundamentally reviewing our R&D approach.
- Specifically, we shall work backward from our vision as digital services company, allocating resources to necessary R&D themes. We will thus lower R&D expenditure levels.
- We will focus R&D investments in workplace areas that are compatible with our digital services company vision.
- We will naturally keep investing to explore innovations while capping spending on such efforts.
- We will pursue open innovation. We will also leverage the Corporate Venture Capital fund that we announced today in a news release, as well as collaborations with other companies.
- By reviewing R&D themes and optimizing resource allocations in line with our policy, while R&D expenditures may increase in the workplace domain they will decrease in other areas, resulting in lower total spending.
- By fiscal year 2025, we aim to optimize companywide R&D expenses at around 80 billion yen. This would be around 30 billion yen lower than the fiscal year 2022 level.

Transformation of HQ: Optimizing Back-office Functions

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Current

- Ricoh **retains centralized headquarters functions as an Office Automation manufacturer** and unable to sufficiently deliver prompt and flexible services as a Digital Services company

Future policies

- **Shift to a digital services-style group management structure** which promotes further value creation at customer touchpoints
- Review headquarters **function, missions, and roles and human resources requirements**
- With use of artificial intelligence, **streamline operations by digitalizing processes** and reflect the reduced workloads to organizational structure

Key measures and anticipated benefits

Reorganize headquarters	Streamline operations by digitalizing processes	Review appropriate headquarters headcount

- Redesign headquarters' organization, roles, operations, and human resources functions to **launch appropriate headquarters organization for the digital services company in April 2024**
- Specific approach and financial impact to be announced in the 21st Mid-Term Management Strategy progress update

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- I will now take you through how we will optimize back-office functions at headquarters.
- We will reorganize headquarters as we transition into a digital services company. We will shift toward a structure that creates more value at customer touchpoints as a digital services company.
- Such an effort will naturally entail reviewing the missions of existing headquarters functions. We will use artificial intelligence and streamline operations by digitalizing processes
- Our transformation of headquarters functions in April 2024 will reflect these changes.
- We will keep you posted on progress.

Acceleration of Business Selection and Concentration

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Current

- Initiated business portfolio management structure emphasizing marketability, ROIC, and compatibility with digital services and pursued selection and concentration. **The divesture of the optical business** announced in October 2023 is an example but **will be further accelerated**
- Seeds-based new businesses failed to contribute to company profit due to dispersed investment

Future policies

- Strategically allocate resources to **Workplace as the focus area** where Ricoh's strengths can be leveraged
- **Low-profit, new businesses** which do not contribute to Ricoh's future digital services will be **targeted with financial contribution by FY2025 and explore exit strategies**

Key measures and anticipated benefits

Monitor low profit non-core businesses for withdrawal decisions	Organize new businesses outside "workplaces" area	Establish a special unit responsible for exit strategy and execution
• Targeting 10 businesses with aggregate sales of ¥180 billion • Will announce moves once progress under way	• Conduct exit process for three non-core businesses • **Anticipating ¥1.5 billion profitability improvement** compared with FY2022	• Launched in October 2023

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- I will now discuss efforts to accelerate our business selection and concentration.
- Last month, we announced the divestment of our optical business. We will further accelerate the selection and concentration process as such.
- As I explained earlier, the success rates of new businesses launched with technology seeds focuses have been low because we have dispersed investments across various fields and because we have not sufficiently understood customers.
- As we focus resources on the workplace area, we will naturally deemphasize other fields.
- We will explore exit strategies for businesses that do not contribute to our future as a digital services company or are not very profitable.
- We present three key measures in that regard.
- We are looking to divest 10 low-profit non-core businesses with aggregate sales of 180 billion yen.
- In terms of liquidating new businesses outside the workplace area, we are exploring exits for three non-core businesses. The resulting earnings improvement from fiscal 2022 would be around 1.5 billion yen.
- Last month, we launched a special unit to implement exit strategies. We will draw on that unit to accelerate the exit exploration process.

Transformation of Office Printing Business Structure

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Current

- **Continuous profit improvement measures** are needed due to the shrinking market
- Announced **joint venture with Toshiba Tec** in May, progressing with efforts to streamline development and production

Future policies

- Target **cost structure which ensure current profit** levels even with on-going decline in the market
- Revisit and optimize **sales, services, and support operations** to transform as the Digital Services company

Key measures and anticipated benefits

Transform business model through joint venture	Optimize sales and services structure under potential continuous market decline	Eliminate duplication of back-office operations and promote DX
• Streamline production and development with shared technologies and facilities • Harness common engine and allow each brand to develop uniqueness	• The specific approaches and the financial impacts will be announced in the 21st Mid-Term Management Strategy progress update	

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- I will now talk about our Office Printing business restructuring. As I mentioned earlier, this is another example of how we will address a top-line decline by streamlining the bottom line. We will prepare for downsides by pursuing ongoing structural reforms so we can be profitable in any situation.
- We will undertake three specific measures shown below. One is a joint venture with Toshiba Tec, the concept for which we announced in May this year. We are continuing preparations with a view to launching the joint venture in fiscal 2024.
- That entity would bring together the technologies of both companies to design more competitive mechanical components for MFPs, a common engine being one example. Volumes for the two companies through that setup would generate economies of scale and further increase cost competitiveness. While standardizing the engine and mechanical components, we would differentiate software controlling them and the associated applications through individual sales channels. We believe that this business model is highly scalable and would enable other companies in the office equipment sector to use the same concept for their engines if they want to.
- So, we will stay profitable in the office printing by undertaking the steps as above.

Acceleration of Office Services' Profit Growth

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Future policies

- **Continuously improve profitability** of Office Services business as key enabler for **workplace services provider**
- Profit growth mechanisms are to (1) **raise Office Services adoption rates** to existing customers, (2) **increase number of product deployments** per customer, and (3) **enrich the proportion** of highly profitable **recurring business offerings**
- To accelerate profit generation, **establish efficient sales model** such as inside sales and **optimize sales structure and back-office units**

Disclosure update

Plan to present following as **KPIs for profit growth** in Office Services

Number of customers	Office Services adoption rate	Recurring revenue ratio
Total number of existing customers	Proportion of customers with Office Services contracts	Recurring revenues ratio within Office Services revenue

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- Finally, I would like to discuss profit growth in office services, one of the main drivers of Digital Services.
- We will endeavor to continuously improve profitability as a workplace services provider.
- At the start of this presentation, I said that our strengths are our customer base, related customer touchpoints, and the highly profitable intellectual property that we derive from knowledge that we gain through customer touchpoints. In combining these strengths, there are three important mechanisms for achieving profitable growth.
- First, we must bring our 1.4 million existing customers on board with our Office Services. In other words, we need to raise Office Services adoption rates.
- We will lift revenue per customer from them using various services from us, not just one.
- We also consider it important to amass an array of highly profitable recurring businesses, so once customers adopt our services they will keep using them.
- So, we will ensure profitable growth through these three mechanisms.
- We will naturally work more efficiently, particularly in services businesses, by tapping various forms of sales and service. As well as engaging in conventional door-to-door services and sales, we will create a more efficient structure that combines digital and remote services.
- As I mentioned earlier, we will focus on investing in this area, and implement measures including discontinuous growth such as M&As.
- At the same time, we note that investors and analysts have told us that it is hard to understand the key performance indicators to earnings from Office Services and digital services.
- Thus, we shall to report regularly on (1) the numbers of customers with whom discuss business deals, (2) the proportion of the customers with OS contracts, and (3) the recurring revenue ratio within Office Services sales.

Summary

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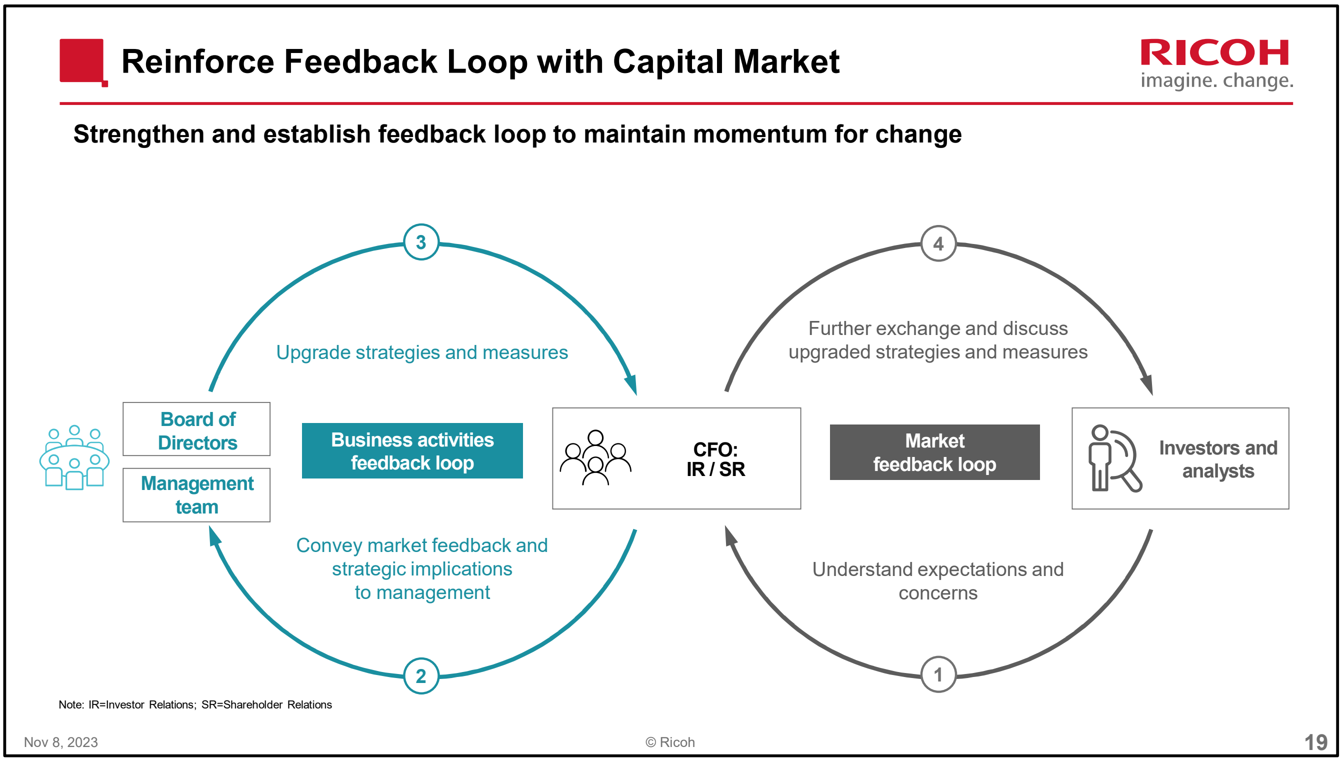

- We will also endeavor to reinforce the capital market feedback loop to support transformations that improve profitability.
- We have had the opportunity to receive feedback from investors and analysts. We appreciate their wide-ranging feedback.
- We have particularly strengthened the efforts shown on the left of this slide. We embrace feedback from the capital market and investors, putting it on the table for the Board of Directors and management team deliberations.
- We found this to be extremely important. Until now, we tended to think that our own perspectives have tended to drive action. However, we revisited our approach this time, and we now assess what we need to do from the perspectives of the capital market and investors.
- We consider it important to maintain our feedback loops.

Roadmap

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Progress and additional measures to be announced

		Expected impacts	Nov 2023 (today) FY2023 Q2 results presentation	Mar 2024 Mid-term mgmt. strategy progress update	Update Semi-annually after FY2024
Transformation of Headquarters	Optimizing R&D	¥30 billion	New policies to optimize R&D activities	—	Report as needed on progress with further additional policies
Transformation of Headquarters	Optimizing back-office functions	Future report	—	Headquarters back-office function optimization	
Acceleration of Business selection and concentration		¥1.5 billion	Divesture of optical business Exit process and policies	Update on exit processes for other businesses (if disclosable)	
Transformation of Office Printing business structure		Future report	—	Sales and services structure reviews and profit improvements through joint venture	
Acceleration of Office Services profit growth		Future report	— (KPIs to monitor growth)	Disclosure of key performance indicator progress	

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- Here is our roadmap for the future.
- We aim to provide more details and considerations about the topics I discussed today in the 21st Mid-Term Strategy interim progress update that we have scheduled for March 2024.
- We also look to report on progress with continuous improvements on semiannual or other bases.

Conclusion

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FY2025 financial targets

Undertake the Transformation Program and uphold current mid-term management strategy operating profit and ROE targets

– Operating profit ¥130 billion

– ROE Over 9%

Capital policies

Maintain the following policies by continuously increasing dividends and implementing additional measures flexibly

– Optimal net assets of around ¥900 billion
(after excluding foreign currency translation adjustments)
(Adjust flexibly in line with business structure changes)

– Target 50% Total Shareholder Return

Transformation measures announced today

- Optimizing R&D	**¥30 billion**
- Optimizing Back-office functions	Future report
- Acceleration of Business selection and concentration*	**¥1.5 billion**
- Transformation of Office Printing business structure	Future report
- Acceleration of Office Services profit growth	Future report

Note: *Additional measures to be announced

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- In conclusion, I would like to present our financial targets. We are retaining our targets of 130 billion yen in operating profit and an ROE exceeding 9%. We particularly recognize that this ROE target is important to improve our PBR to above 1x. We consider them as pass points and we aim higher in the longer term.
- In terms of capital policies, we will keep increasing dividends and flexibly deliver additional returns.
- Optimal net assets needed to maximize shareholder value should be around 900 billion yen after excluding foreign currency translation adjustments, factoring in the need to maintain credit ratings and other elements. That said, if Office Services recurring businesses keep growing and new services business we are targeting become more stable, we believe the balance will also change. As we add more stable business segments, we will be able to adapt to a new capital structure, including regarding debt utilization choices.
- We are deeply grateful for the opportunity to engage with our shareholders and analysts this time, which enabled us to objectively recognize Ricoh's current situation.
- The entire management team will work together to transform Ricoh into a digital services company, improving profitability and ROE.

Forward-Looking Statements

The plans, prospects, strategies and other statements, except for historical events mentioned in these materials are forward-looking statements with respect to future events and business results. Those statements were based on the judgment of Ricoh's Directors from available information. Results may differ materially from those projected or implied in such forward-looking statements and from historical trends. Refrain from judgments based only on these 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 cause those results to differ materially from those expressed in the forward-looking statements:

a. General economic conditions and business trends
b. Exchange rates and fluctuations
c. Rapid technological innovations
d. Uncertainty as to Ricoh's ability to continue to design, develop, produce and market products and services that achieve market acceptance in intensely competitive markets

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Note: These materials define fiscal years as:

FY2023 (or fiscal 2023) = Fiscal year ended March 31, 2024, etc.

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