

**Office
Services
Business in
Japan**

November 26, 2020

Tomohiro Sakanushi
President of Ricoh Japan Corporation

- I am delighted to explain our Office Services business in Japan.

Powerful nationwide presence and customer base

Customer base	Number of sites	Number of employees	Number of sales and service partners
1 million offices	350	18,000	3,200

Customer and systems engineers around Japan



Customer engagement structure

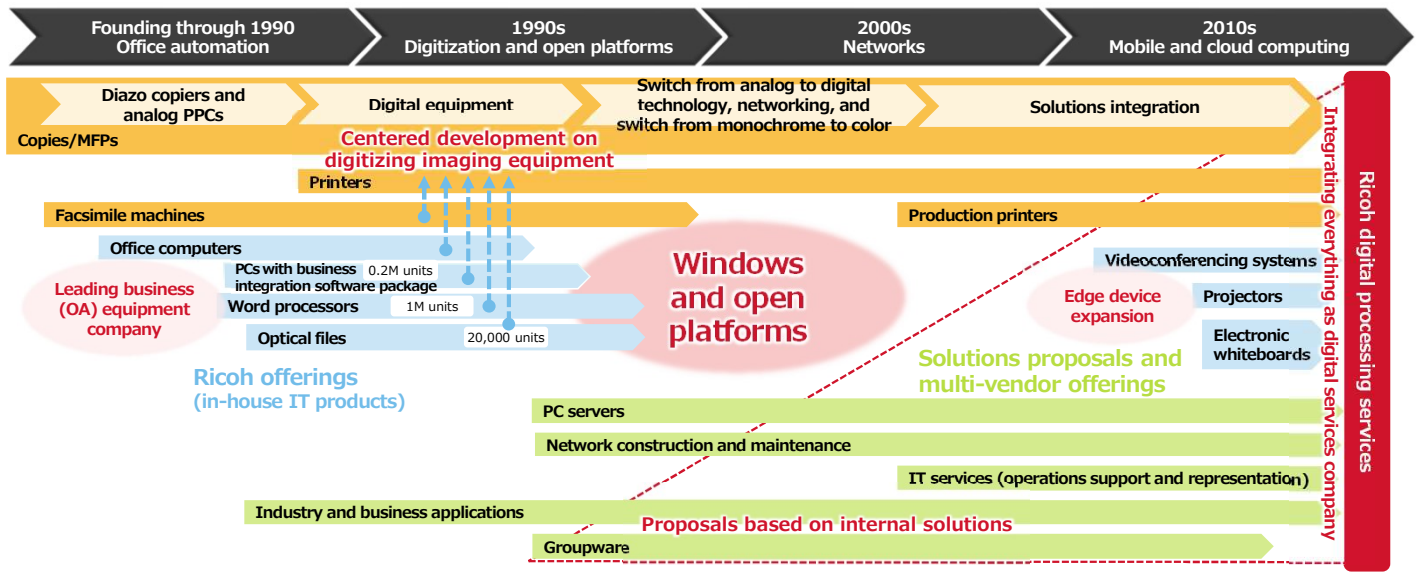
Sales	8,000	12,600
Customer engineers	4,600	6,300
Systems engineers	1,200	Including sales and service partners
Contact centers	1,000	

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- I'll start by profiling Ricoh Japan, covering its customer base and numbers of sites, employees, and sales and service partners. We have deployed large teams around Japan. Our customer base extends from big companies to SMBs around the nation.
- The bottom right of the slide shows that we have around 12,600 salespeople and 6,300 customer engineers, including sales and service partners.

Customer base and expertise amassed since dawn of office automation supports current IT business

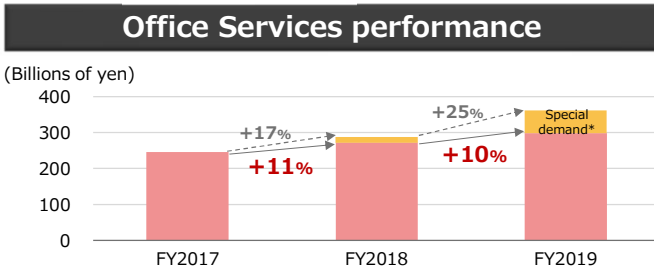
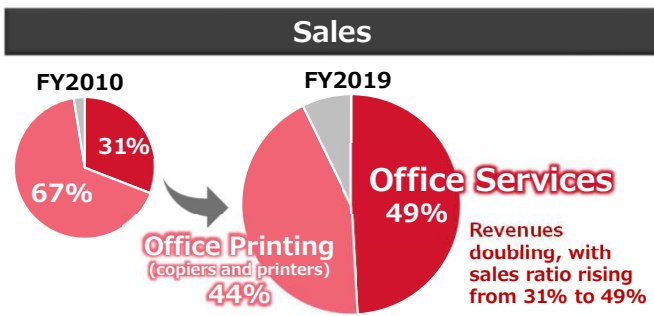


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- I will take you briefly through how we evolved.
- Ricoh conceived of the office automation concept in 1977. We have since manufactured, sold, and supported office automation equipment.
- Many of our Office Services customers have remained with us since then.
- It was during the early days of PCs that we offered word processors to about one million customers. We sold 200,000 units of our PCs with business integration software package to these companies.
- Once Windows took off, we terminated sales of such software but did engage in multivendor operations for Windows systems, augmenting them with proprietary network construction and system product maintenance.
- These operations paved the path to our Office Services business in Japan.

Have built solid position as information and communication technology (ICT) vendor, with systems integration (SI)* accounting for one-third of sales *Resolving industry and business issues

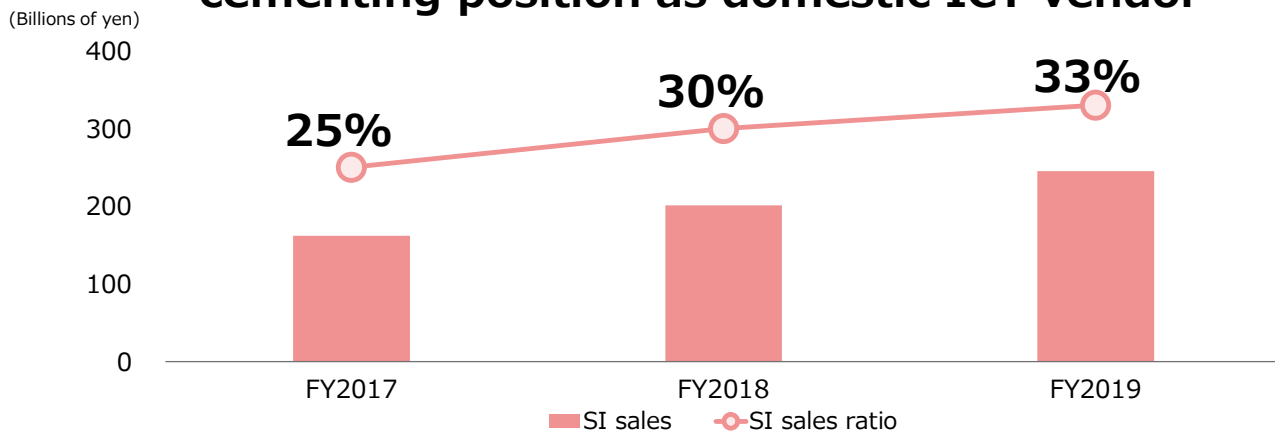


J.D. Power customer satisfaction surveys ● IT solutions provider ● IT equipment maintenance	6 straight years 1st
Sales to customers deploying IT under government subsidy program (to enhance services and other productivity) Note: Ricoh estimate	2 straight years 1st
Corporate Windows PC sales share Note: Ricoh estimate, January to December 2019	10%
Number of small and medium-sized business (SMB) customers for Microsoft 365	1st
Ricoh Japan systems integration sales (FY2019)	¥245 billion

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- I will now explore Ricoh Japan's current businesses.
- Last fiscal year was a milestone because Office Services business sales surpassed revenues from the Office Printing business.
- In FY2019, we posted double-digit sales growth for a third straight year. This was even after factoring out a previous demand spike in response to Microsoft terminating support for Windows 7.
- On top of that, we ranked first for six straight years in J.D. Power customer satisfaction surveys as an IT solutions provider and in IT equipment maintenance. We were first in Japan for two consecutive years in sales to customers deploying IT under a government subsidy program. Our market share for corporate Windows PC sales was 10%.
- We ranked first in terms of the number of SMB customers for Microsoft 365.
- Systems integration sales were around 245 billion yen, representing a third of Ricoh Japan's revenues.
- So, we have clearly evolved into an IT vendor.

Gradually increasing SI business sales ratio, cementing position as domestic ICT vendor



Note: Ricoh Japan's SI solutions businesses encompass:

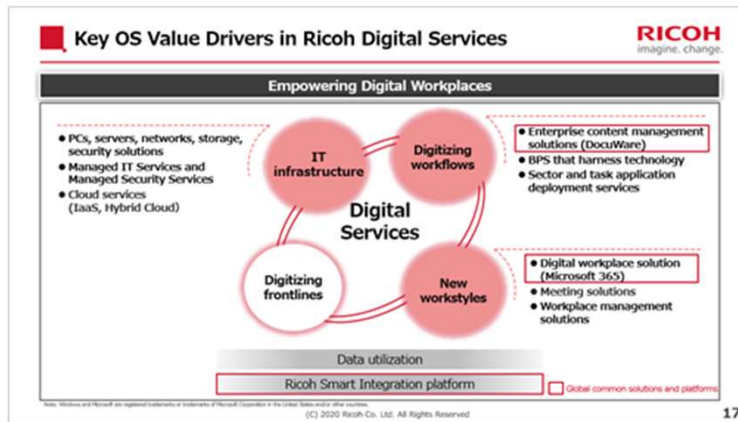
1. Applications and support and services solutions
2. Applications and hardware (including edge device) combined with support and services and solutions

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- Here, we show systems integration sales trends and how we define our systems integration business.

Delivering value in Japan through three basic strategies

Slide 17 of overall Office Services business presentation



Basic strategies

Expand stock business by cultivating customers

Help resolve social issues by digitizing customer operations

Strengthen full support services through nationwide, locally focused sales

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- I will now explain how Ricoh Japan is endeavoring to expand Office Services and we ourselves will change.
- We determine basic strategies based on key Office Services value drivers in Ricoh Digital Services.
- On the next page, I will outline Ricoh Japan's overall and Office Services strategies.

Expand stock business by cultivating customers

- Marketing catering to industry and business demand
- Task cross-selling
- Boost productivity by combining digital marketing and inside sales based on account sales
- Leverage job category-based teams to undertake activities to help customers succeed and enhance customer experience, thereby expanding stock business

Help resolve social issues by digitizing customer operations

- Drive efficiencies by automating enterprise systems in front-end areas relating to people and paper processes
- SMBs: Resolve business issues with Scrum packages
- Mid-sized companies: Resolve issues by drawing on systems engineer architect capabilities (Scrum assets)

Strengthen full support services through nationwide, locally focused sales

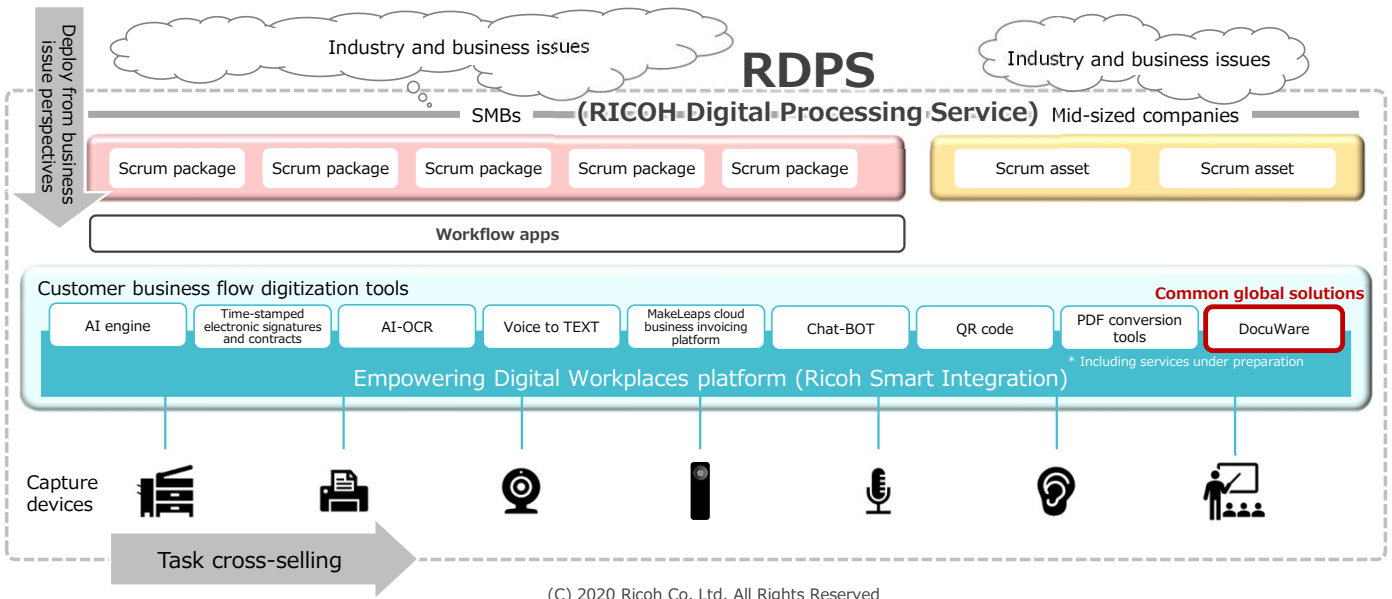
- Transition from hardware to software selling, leveraging Scrum package selling expertise to enhance capabilities
- Broaden multiple skillsets of customer engineers

Scrum package sales percentages

Direct sales	99.9%
Dealer sales	48.3%
Dealers	91.9%

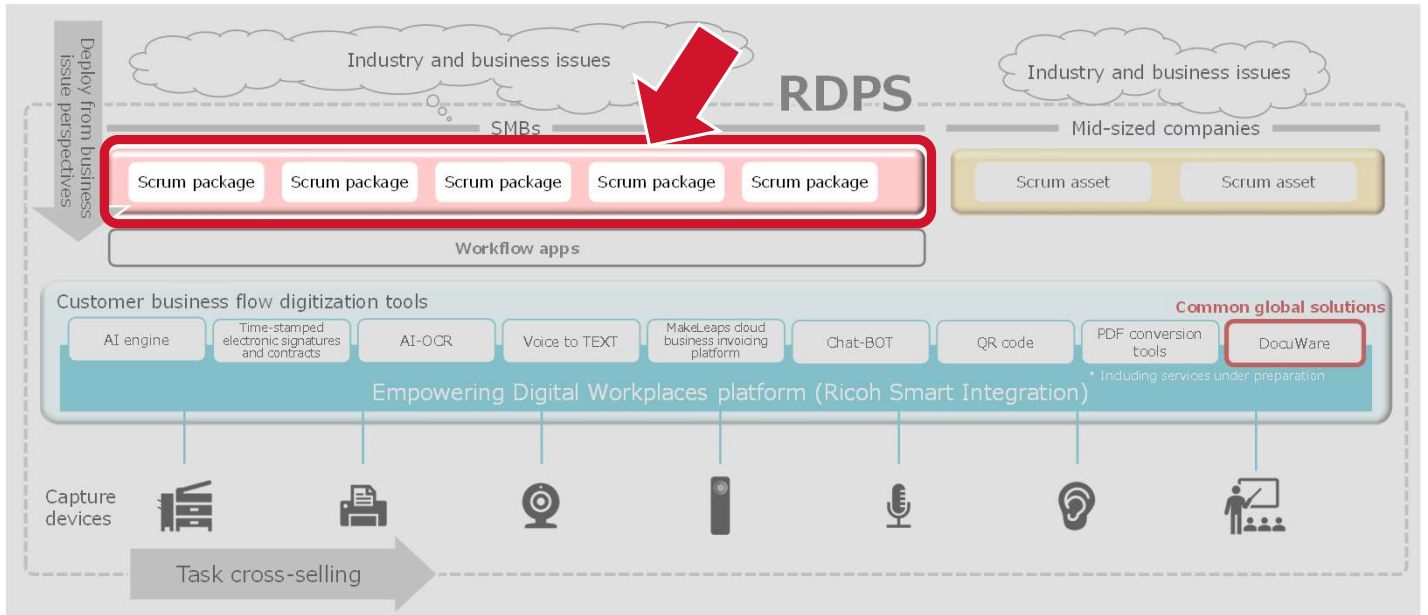
- For a start, we will expand our stock business by cultivating customers.
- This is a perpetual focus for sales and support companies, and we will develop customers right through to them having stocks. This approach differs significantly from when we primarily sold copiers. Our marketing caters to industry and business demand.
- Our other approach is selling solutions, helping customers resolve further issues if they are satisfied with us, and are also engaging in cross-selling that does not rely solely on copier replacement timing.
- We are also reinforcing our sales structure. We are drawing on numerous account sales as a strength while endeavoring to increase business volume for industry and business demand by combining digital marketing and inside sales.
- We aim ultimately to expand the stock business by leveraging job category-based teams to undertake activities to help customers succeed and enhance customer experience.
- Next, we draw on the concerted efforts of all employees to resolve social issues by digitizing customer operations, which is fundamental to Office Services.
- Our specialty is front-end areas relating to people and paper processes. Here, we are endeavoring to automate enterprise systems.
- We are changing the business between SMBs and mid-sized companies. We are helping them with sector and task solutions through Scrum packages. For mid-sized companies, we resolve issues by drawing on our Scrum assets, which are the systems engineer architect capabilities of 1,200 professionals.
- The bottom of the slide mentions that we are strengthening full support services through nationwide, locally focused sales.
- Ricoh has long been seen as a hardware seller. We are now becoming a solution provider, which is through Scrum packages.
- These packages are business solutions and sales packages. It is through these sales packages that we aim to refine our skills in selling software.
- The table in the bottom right of the slide shows what we can do now.
- The Scrum package sales percentages are 99.9% for direct sales, nearly 50% for dealer sales, and more than 90% for dealers, showing a change in our structure.

Solutions lineup that digitizes industry- and business-specific workflows and combines edge devices, automation services, and other tools to support the new world of work



- The chart on this page shows how Ricoh Japan has organized to benefit customers.
- We announced the Ricoh Digital Processing Service in June 2020 to propose solutions that support the new world of work.
- This is the overall picture of how our Scrum packages and assets and our entire Empowering Digital Workplaces platform can help customers digitize for working and operating in new ways.
- That means that we propose customer solutions not from product perspectives but from the stance of industry- and business-specific issues. We are cultivating cross-selling to help resolve these challenges. I will now discuss each element of our approach.

Scrum packages



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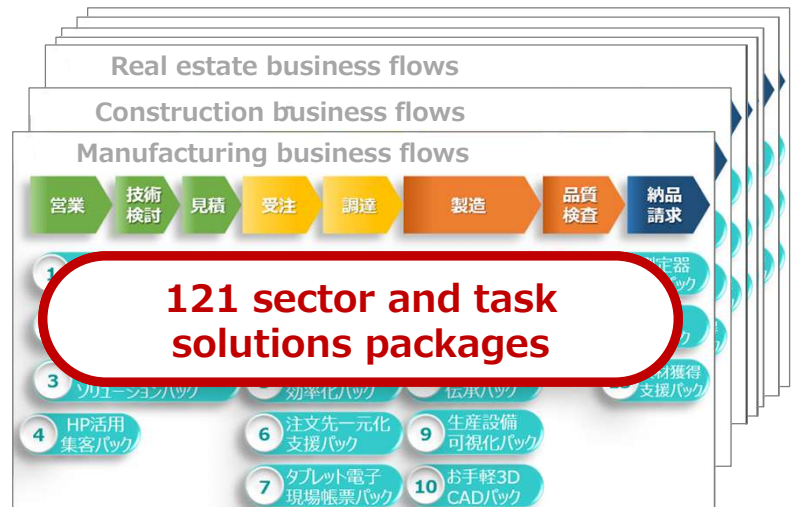
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- Firstly, I'll touch on Scrum packages.

Cultivating solutions and sales packages that integrate optimal products, sales, and support to encompass overall business flows for specific customer sectors

Digital solution tools for eight sectors and three tasks

100,000 packages sold



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- We offer 121 of these packages, focusing on sector and task solutions, as mentioned earlier.
- Business flows are basically classified for each industry. We visit hundreds of customers to review common issues in business flows and ask them to confirm prospective solutions. We trial sell to ensure the solutions are effective and then finalize solution packages, of which we have 121 as I said. We have sold more than 100,000 packs to date.

Leveraging discussions, tools, and proposals to negotiate deals with 30% of customers approached, signing contracts after an average three discussion sessions

Scrum package flyer

Sector-specific discussion tools

Sector and task approach videos

Customer success stories

Standard proposals

Sector approach tools

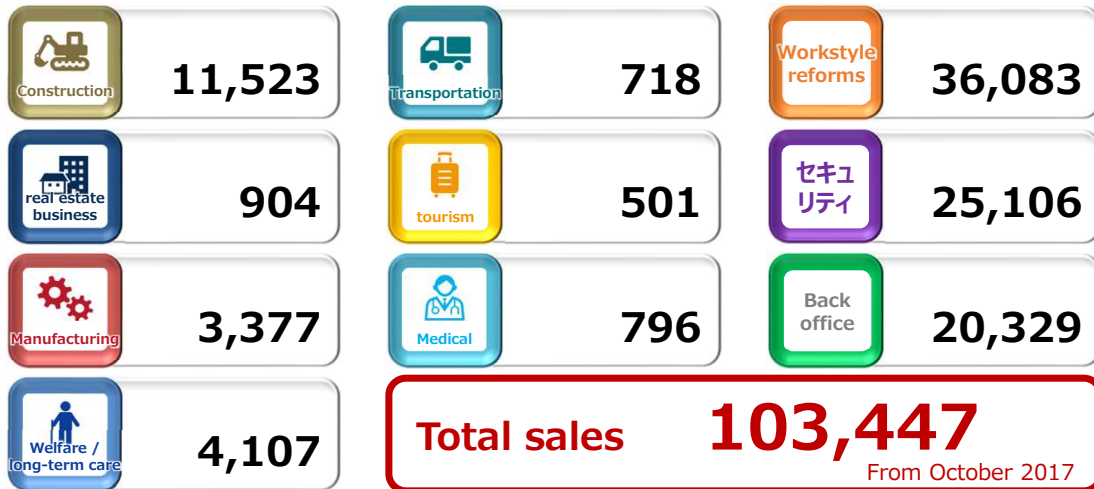
Success stories Success story videos

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- We previously discussed another form of Scrum package, which is sales packages.
- They cover discussions, tools, and proposals and can be employed immediately together. Study meeting materials are naturally separate.
- When we lease a Scrum package, one of the criteria is whether copier salespeople can negotiate deals with 30% of customers approached.
- If it takes three discussion sessions to conclude a contract, then we have a sales package that can leverage the mobility of copier salespeople nationwide. We seek more experience in selling through successes or proposal efforts and learn from our customers.
- As I mentioned earlier, we are gradually changing.

More than 100,000 of Scrum package solutions sold since launch in October 2017

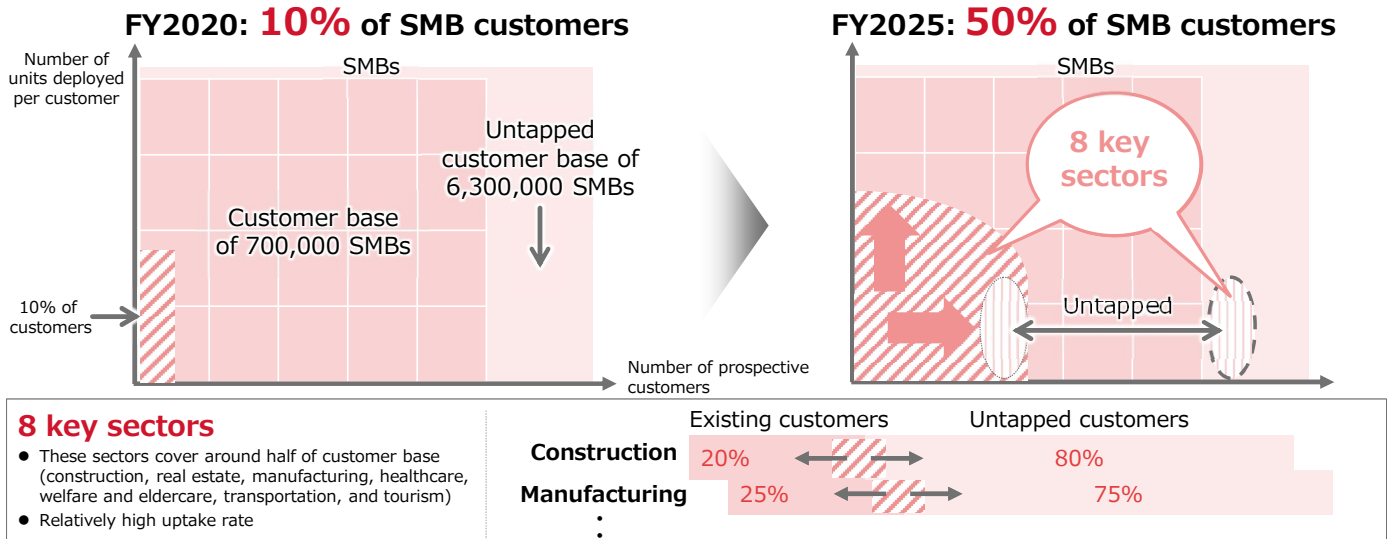
Cumulative sales of sector and task packages



- We have sold more than 103 thousands Scrum package solutions since launch them in October 2017.
- This reflects the value we have brought to bear through covering eight sectors and three common tasks.

Targeting 50% uptake among existing customers in fiscal 2025, centered on eight key sectors

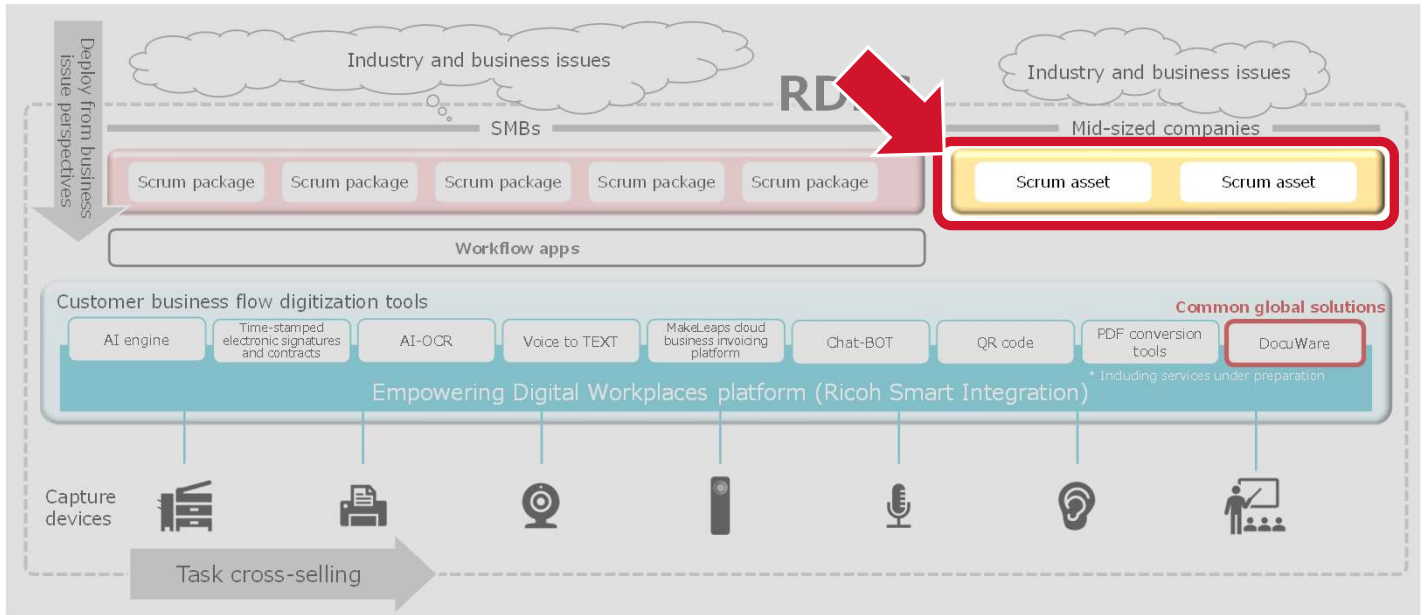
Scrum package customer coverage rates



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- You might wonder about the sales potential of Scrum packages.
- At the present, around 10% of SMB customers have bought Scrum packages.
- By fiscal 2025, we look to lift the figure to 50% of existing customers and new ones we cultivate from sector and task perspectives.
- Rather than target all customers for this process, we will take the approach shown at the bottom of the page. So, for example, we will sell Scrum packages to existing customers in the construction sector while offering these packages to untapped customers in that sector, helping them resolve issues through digitization.

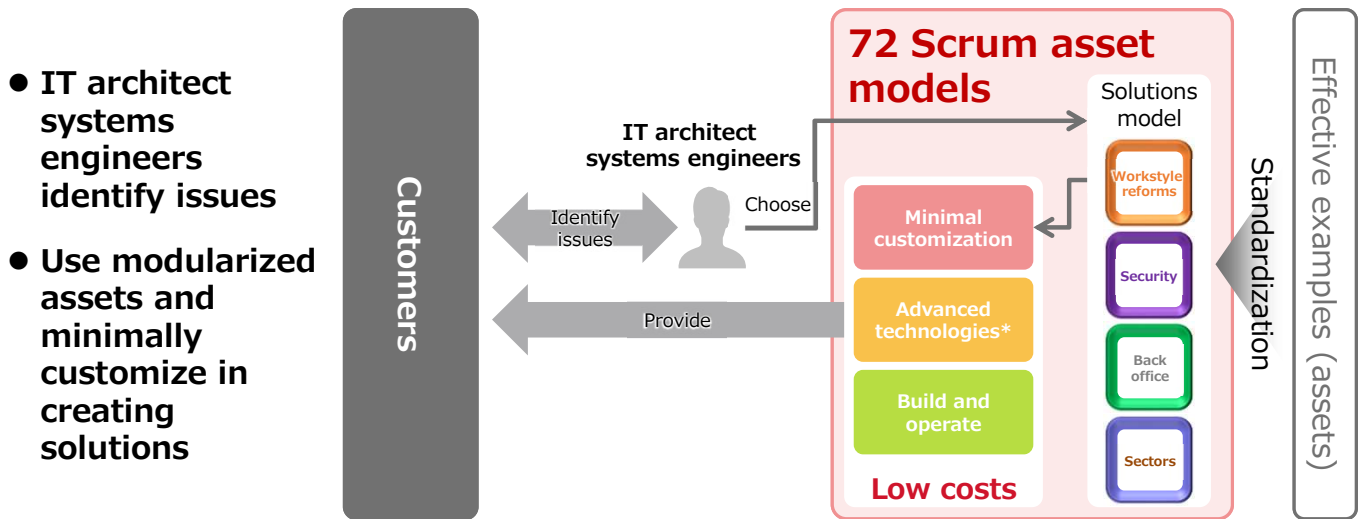
Scrum assets



- I will now talk about our Scrum assets.

Scrum Assets that Resolve Business Challenges of Mid-sized companies

A solutions model for Mid-sized companies that combines development experience (app deployment and operations) of 1,200 systems engineers with advanced technologies

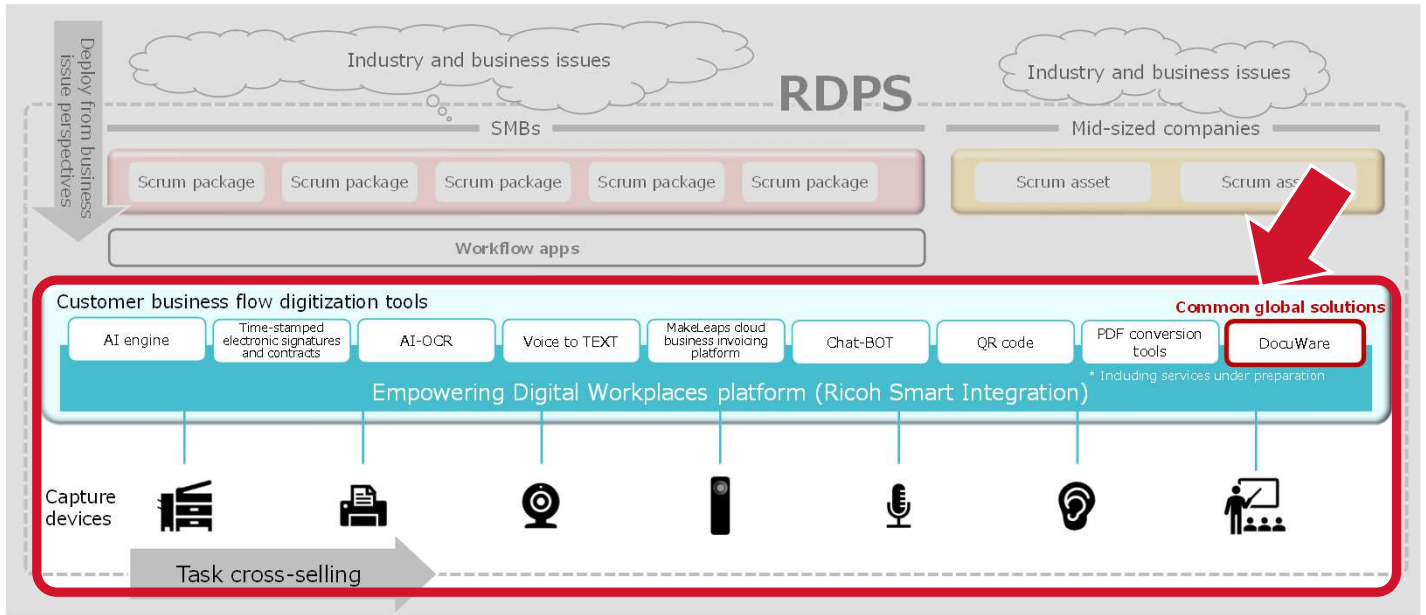


* Including artificial intelligence, robotic process automation, optical character recognition, and cloud computing

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- Ricoh Japan has about 1,200 systems engineers. We will draw on a solutions model that they have provided to customers as assets for offering valuable proposals to other customers. We will combine them with new technologies to offer Scrum assets to mid-tier companies with annual sales of 10 billion yen to 50 billion yen rather than SMBs.
- Rather than provide complete packages, we will draw on the experiences of systems engineers, proposal skills, and system-based solutions capabilities to customize offerings. We will also ensure efficiency by properly drawing on our assets.
- The prime solution model today covers those in the boxes on the right of the chart. We have actually deployed 72 models.

Empowering Digital Workplaces platform (Ricoh Smart Integration)



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- Third, we have the Empowering Digital Workplaces(EDW) platform, which is part of the RICOH Digital Processing Service.

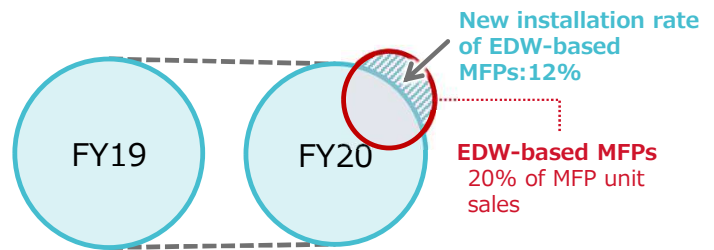
Cultivating new market development and covering total document volume declines through Empowering Digital Workplaces (EDW) approach

EDW App sales



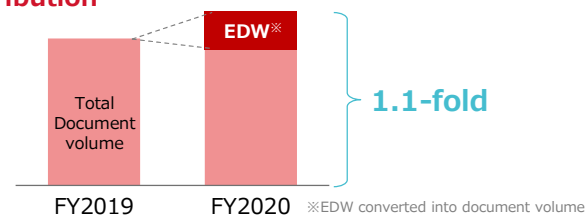
Cultivating new markets for EDW-based MFPs as edge devices

MFP unit sales



While total document volume down, anticipating effectively 1.1-fold growth after factoring in EDW contribution

Annual change in total document volume per unit for EDW-based machines (at September 2020)

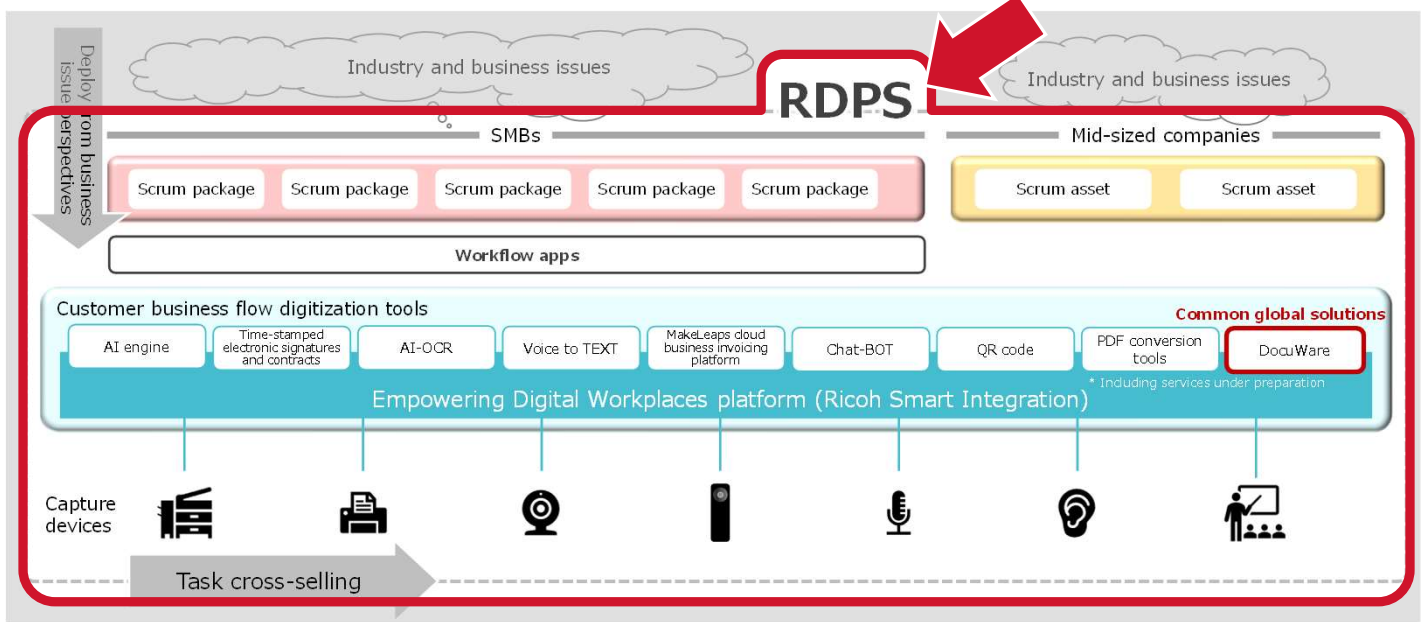


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- As introduced with currently available IM C series MFPs when released, EDW platform will become the base platform for helping digitize customer operations while linking customer application software with MFP edge devices.
- We are also looking to deploy DocuWare on that platform.
- We swiftly launched EDW apps in FY 2019, with these sales continuing to rise in FY 2020.
- We think that there will be a focus on a new market for edge devices. Around 20% of MFPs that Ricoh Japan sells link to the EDW platform, which means providing solutions through EDW applications. This 20% represents new value we deliver through edge devices.
- It is worth noting that the new installation rate of EDW-based MFPs is 12%, which means installations as complete edge devices where there were previously no MFPs.
- So, in that respect new markets are gradually developing.
- Also, we have based our business model on stocks to link applications with EDW. Sales from MFP maintenance sales have decreased somewhat because total document volumes have fallen amid the pandemic, but we look for effectively 1.1-fold growth after factoring in EDW application usage. We need to accelerate in that respect.

RDPS

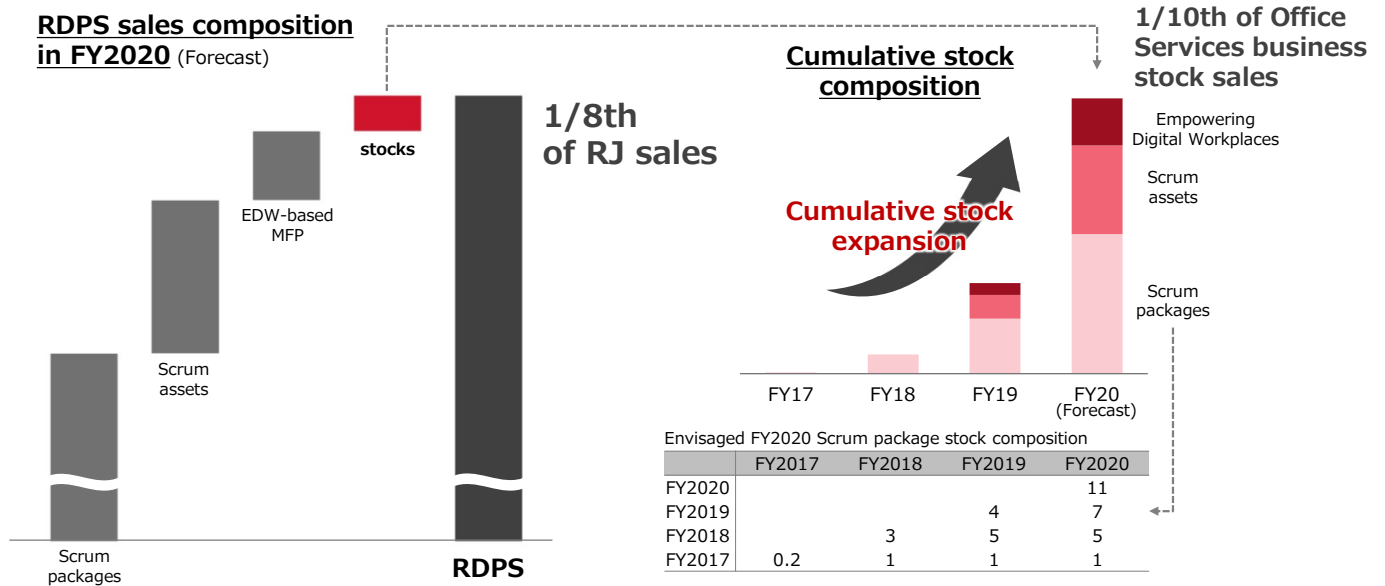


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- Here is the overall picture for the RICOH Digital Processing Service. On the next slide, we will explain the extent to which this service overall contributes to business performance.

Accelerate RDPS and stock business expansions

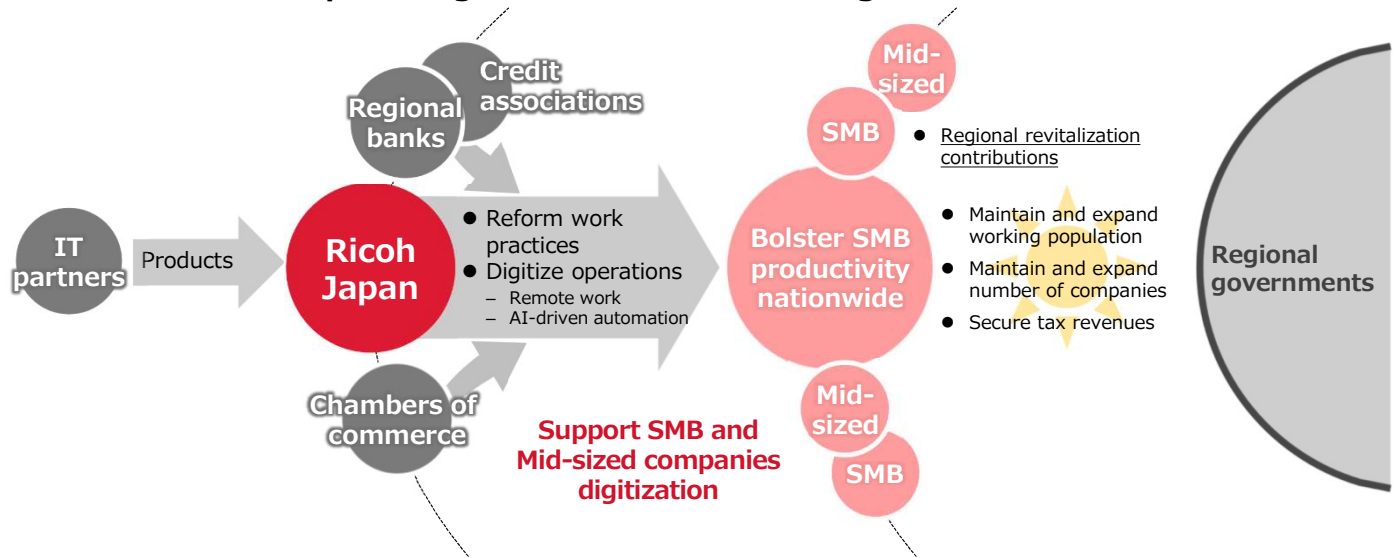


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- We are steadily amassing RICOH Digital Processing Service sales.
- Stock revenues in particular are gradually rising.
- I thus sense that operations related to customer digitization are becoming important to Ricoh Japan's Office Services business.

Help bolster SMB and Mid-sized companies productivity nationwide by digitizing their business processes

→ Contribute to Japanese government's drive to digitize the nation



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- Finally, I would like to overview Ricoh Japan's vision.
- Having experienced the COVID-19 pandemic, Japan is on the cusp of a nationwide sweep to digitize administrative systems.
- Ricoh Japan looks to collaborate with local governments to help digitize the operations of SMB and Mid-sized companies around the country nationwide.
- As I mentioned early in this presentation, Ricoh Japan has ranked first for two straight years in terms of sales to customers deploying IT under a government subsidy program. Regional banks, credit associations, and chambers of commerce and industry have recently asked us to help them promote ICT and digitization for their customers.
- We aim to contribute to regional communities by collaborating with local governments, financial institutions, and chambers of commerce in implementing digitization measures that revolutionize productivity and drive digitization for SMBs.

A massive market in which Ricoh Japan can materialize its potential

Need to digitize small businesses that regular IT vendors cannot reach

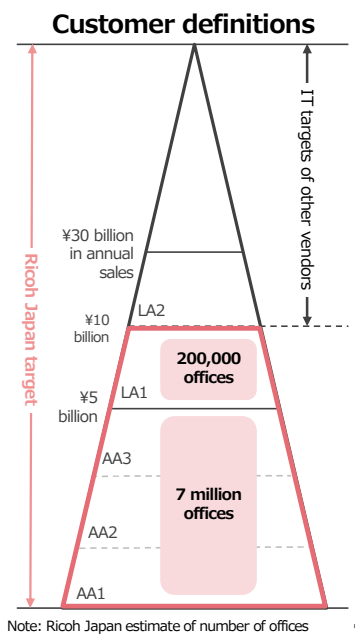
Only Ricoh Japan can consistently deploy offerings with advanced value to SMBs nationwide

- ¥245 billion in systems integration sales in mid-tier company and SMB market
- 12,600 services salespeople collaborate closely with customers to help resolve their issues
- On-site IT support nationwide through 6,300 customer engineers

Government digitization expanding business-to-business and consumer digital technology use

Continue bolstering digital workplaces for SMEs around Japan

- Offer effectively interest-free, unsecured loans from private financial institutions
⇒ Rising demand corporate revitalization assistance through digital IT
- Cultivate digitization measures for businesses around Japan under a July 2020 Japanese government commitment to creating the world's most advanced digital nation by digitizing the entire country, lifting living standards for all citizens by enhancing convenience, safety, and security Revolutionize productivity by digitizing SMB enterprise systems



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- Ricoh Japan is well positioned to materialize its potential under such circumstances.
- We have worked with various IT vendors, and many ICT vendors say that their smallest customers in the SMB market have annual revenues of around 10 billion yen. For even smaller customers they will seek assistance from partners, which means that no direct sales system covers the entire customer base.
- Ricoh Japan defines enterprises with annual revenues of 10 billion yen as mid-tier companies, while those with annual revenues of 5~10 billion yen are SMBs. Many of our customers have annual revenues below 5 billion yen.
- Typical ICT vendors seek large customers, a perspective that differs from Ricoh Japan's. Our SMB segment tier is admittedly small but constitutes an excellent customer base. We can leverage our numerous salespeople, support capabilities, and systems engineers nationwide to serve that base.
- We would like to create a new market in line with the government's digitization drive.
- We believe that our direct sales and support setups are superior to those of rivals, and look to focus even more on those capabilities as a growth area.
- Thank you very much for your time.

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FY2020 = Fiscal year ended March 31, 2021, etc.