

ESG Strategy

# Aligning ESG and business growth to fulfill our responsibility for enhancing global sustainability

## Message from a Corporate Officer



In 1998, Ricoh was one of the first companies in the world to advocate environmental management. We have since endeavored to align protecting the environment and generating profits. From 2020, we built on those efforts to reinforce our sustainability initiatives by adopting a policy that aligns our management strategies and ESG. We position ESG initiatives as future financial targets because we look for them to bear financial fruit three to five years hence. We are incorporating ESG and Sustainable Development Goals (SDGs) initiatives in our management strategies and systems. For our strategies to function effectively, it is vital to fully integrate them into daily departmental and employee activities. We are undertaking initiatives to ensure that employees embrace that approach. Our ESG and SDGs initiatives are contributing to employee job satisfaction. Other stakeholders are starting to consider Ricoh a ESG leader in the corporate landscape.

Under the 21st MTS, which we rolled out in April 2023, we formulated new material issues and ESG targets from two perspectives. The first is to pursue advanced initiatives that incorporate global ESG trends. The second is to support Ricoh's strategy of becoming a digital services company. We aim to become one of the world's top ESG players by connecting efforts to resolve social issues through business to the Ricoh Group's growth.

**Mikako Suzuki** Corporate Officer in charge of ESG and Risk Management

## 20th MTP results

Under that initiative, we identified seven material issues and formulated 17 associated companywide ESG targets as key performance indicators, breaking them down for business units and other operations to pursue. We integrated ESG into the upper levels of our management systems. One resulting application was to link ESG targets with executive evaluations. We thus again secured consistently high scores for our endeavors

from global ESG assessment programs in fiscal 2022. For example, we remained part of the Dow Jones Sustainability World Index (DJSI) for a third straight year.

We achieved 13 of 17 companywide ESG targets of the 20th MTP. We will continue to make improvements in the four areas in which we fell slightly short of our goals.

### 17 ESG targets and results under 20th MTP

Materiality (Material issues)	Key performance indicators	20th MTP targets	Results
Creativity from Work	(1) Top score rate in customer surveys	30% or more	Japan: 37%, Europe: 20%, APAC: 32%, Americas: 89%
	(2) Fulfilling value proposition for customers	15%	15.5%
	(3) Digital specialist development	IPA ITSS L3 1.5 times	1.53 times
QOL Enhancement	(4) Number of people to whom we have contributed by improving social infrastructure	10 million	10.01 million
	(5) GHG Scope 1 and 2 reduction rate	30%	45.5%
Zero-Carbon Society	(6) GHG Scope 3 reduction rate	20%	31.4%
	(7) Renewable energy utilization ratio	30%	30.2%
Circular Economy	(8) Virgin material usage rate	85% or less	84.9%
Stakeholder Engagement	(9) Production sites with Responsible Business Alliance certification	Completed at 6 major production sites	Completed at 5 sites
	(10) Percentage of suppliers signing Ricoh Group Supplier Code of Conduct	100% for all key suppliers	98%

Materiality (Material issues)	Key performance indicators	20th MTP targets	Results
Stakeholder Engagement	(11) International security standard	Bolstered security based on ISO/IEC, NIST	Bolstered security based on ISO/IEC, NIST
	(12) Evaluation scores from partners	Undisclosed	Undisclosed
	(13) Attain top levels for primary ESG external evaluations	DJSI, CDP, etc.	DJSI World Index CDP A-List
Open Innovation	(14) Selected as Digital Transformation stock by Ministry of Economy, Trade and Industry	Selection as Digital Transformation stock	Selected in Digital Transformation Stocks 2022
	(15) Increase rate of patent External Technology Relevance score	20%	20.1%
Diversity and Inclusion	(16) Ricoh Family Group engagement score	50th percentile or above in each region	Japan: 54th percentile Americas: 45th percentile Europe: 38th percentile APAC: 39th percentile
	(17) Women-held managerial position rate	Global: 16.5% or more (Japan: 7.0% or more)	Global: 16.3% (Japan: 6.9%)

## ESG Strategy under 21st MTS

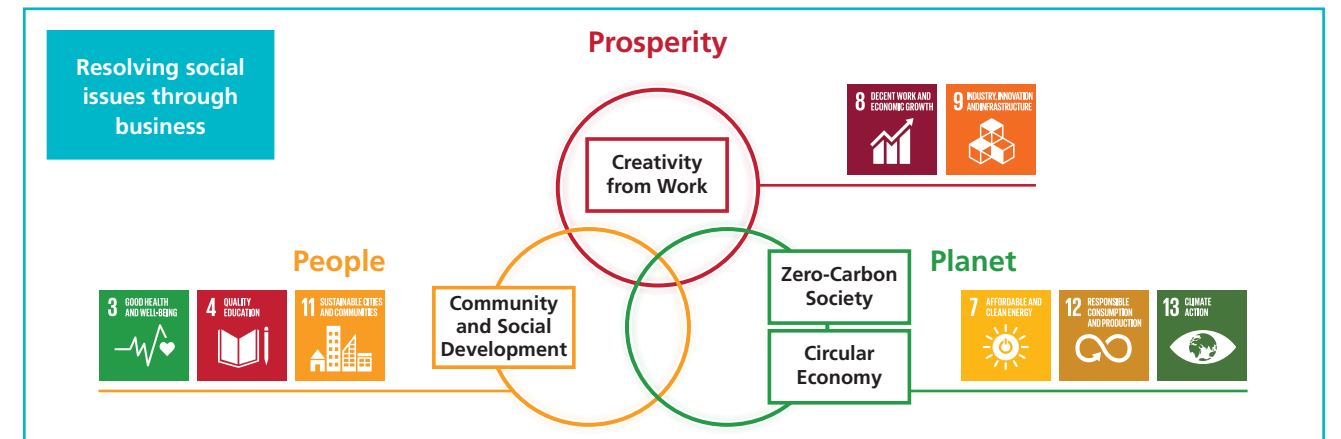
### Strategic direction

We will keep pursuing ESG initiatives as essential for generating future finances. We will align ESG and business growth by resolving social issues through business. For example, we will improve customer productivity by delivering digital services and developing eco-friendly products and services. We will strengthen our management underpinnings by engaging in activities based on global standards, notably by establishing appropriate business processes that factor in human capital and responses to human rights. We will proactively disclose information on outcomes from our initiatives.

### Materiality and ESG targets

We have identified material issues under our mid-term management strategy in driving to materialize our Three Ps Balance. We have accordingly formulated key performance indicators for those issues. In launching the 21st MTS, we established 16 new companywide ESG targets that we linked to seven material issues from two perspectives. One is to respond to global ESG trends. The other is support a company-wide strategy for Ricoh to become a digital services company. We set targets pertaining to global issues of climate change and human rights. Other goals concern digital services-related patents, information security, and digital professional development, all of which are essential for our transformation.

### The Ricoh Group's seven material issues and SDGs



### Process for identifying material issues and formulating ESG targets

#### Step 1 Identify issues

In formulating our mid-term management strategies, we evaluate the impacts of such evolving environmental and social trends as climate change and human rights on our business activities. We also assess the risk and business opportunity impacts of our business activities on the environment and society, seeking to identify issues that we need to address.

#### Step 2 Prioritize issues

We follow international guidelines such as the SDGs Compass, GRI Standards, and the double materiality approach in prioritizing the issues we identify based on our corporate philosophy, management and business strategies,

feedback from external stakeholders, and key management risks in keeping with our risk management system in drafting materiality and ESG targets.

#### Step 3 Make management decisions

We set and disclose materiality and ESG targets together with mid-term management strategy financial targets, subject to Board of Directors approval.

#### Step 4 Disclose results

We disclose annual progress toward ESG targets after the ESG Committee confirms details with management.

## ESG Strategy

### Seven material issue initiatives and ESG targets under 21st MTS

Resolving social issues through business				
Materiality	Strategic intent	2030 targets	Focus domains	21st MTS ESG targets (for end-FY2025)
<b>Creativity from Work</b> 	To provide digital services that transform how customers work and help them with productivity improvement and value creation	Contribute to creativity from Work for all customers to whom we deliver value	<ul style="list-style-type: none"> <li>Office services</li> <li>Printing industry digitalization</li> <li>Thermal media</li> <li>Industrial products</li> <li>Smart Vision</li> </ul>	1. Customer survey scores*1 <b>29%</b>
<b>Community and Social Development</b> 	To contribute to the maintenance, development, and efficiency of community and social systems. We leverage our technical expertise and customer connections to expand areas where we provide value	Contribute to the enhancement of social infrastructure for 30 million people	<ul style="list-style-type: none"> <li>GEMBA*2</li> <li>Biomedical</li> <li>Municipal solutions</li> <li>Educational information and communication technology solutions</li> </ul>	2. Number of people to whom we have contributed by improving social infrastructure <b>15–20 million</b>
<b>Zero-Carbon Society</b> 	To decarbonize the entire value chain and create business opportunities by contributing to carbon neutrality	Reduce Scope 1 and 2 GHG emissions by 63%, with 40% reductions for Scope 3  Switch to 50% renewable electricity	<ul style="list-style-type: none"> <li>Environment and energy</li> <li>Eco-friendly MFPs</li> <li>Commercial and industrial printing</li> <li>Silicone top linerless labels and label-free printing</li> <li>PLAIR</li> </ul>	3. GHG Scope 1 and 2 reduction rate (from FY2015) <b>50%</b> 4. GHG Scope 3 reduction rate (from FY2015) <b>35%</b> 5. Renewable energy utilization ratio for power consumption <b>40%</b> 6. Avoided emissions <b>1.4 million metric tons</b>
<b>Circular Economy</b> 	To create business opportunities by building a circular economy business model for ourselves and our customers	Ensure efficient use of resources throughout the entire value chain and achieve 60% or less of virgin material usage ratio		7. Virgin material usage ratio <b>80% or less</b>

\*1 Percentage of customers considering Ricoh a digital services company \*2 Maintenance and services for stores, warehouses, and other non-office sites

Robust management infrastructure				
Materiality	Strategic intent	21st MTS ESG targets (for end-FY2025)		
<b>Responsible Business Processes</b> 	To earn stakeholder trust by taking a holistic view of our supply chain and minimizing ESG risks in our business processes	8. Corporate Human Rights Benchmark score*3 9. Compliant with NIST SP 800-171 coverage of company's core business environment 10. Low compliance risk Group companies	<b>Information and communication technology sector leader</b>  <b>80% or more</b>  <b>80% or more</b>	
<b>Open Innovation</b> 	To shift from a self-sufficient approach to a new value creation process that creates businesses to quickly resolve social issues	11. Contracted joint R&D ratio 12. Digital services patent application ratio*4	<b>25%</b> <b>60%</b>	
<b>Diverse and Inclusive Workforce</b> 	To foster a corporate culture where diverse employees can demonstrate their potential and transform themselves and the Company into one that is resilient to change	13. Ricoh Digital Skills Level 2 ratings or above rated employees (Japan) 14. Process DX Silver Stage-certified employee ratio*5 15. Employee engagement scores*6  16. Female-held managerial position ratio	<b>4,000</b>  <b>40%</b> <b>Global: 3.91</b> <b>Japan: 3.69</b> <b>North America: 4.18</b> <b>Latin America: 4.14</b> <b>Europe: 4.01</b> <b>APAC: 4.15</b>  <b>Global: 20%</b> <b>(Japan: 10%)</b>	

\*3 Corporate Human Rights Benchmark: An international human rights initiative that institutional investors and nongovernment organizations established. It assesses the human rights disclosures of around 250 global companies across the agricultural products, apparel, extractives, information and communication technology manufacturing, and automotive manufacturing sectors. If not included in these assessments, scores are calculated through self-assessments, including third-party reviews  
 \*4 Ratio of patent applications from businesses involved in digital services to Group total  
 \*5 Percentage of employees trained in process improvements based on process digitalization model (parameter is total number of employees in business units targeted for such training)  
 \*6 Based on Gallup Q12 Mean

### Executive compensation

#### Factoring ESG into bonuses for directors and executive officers

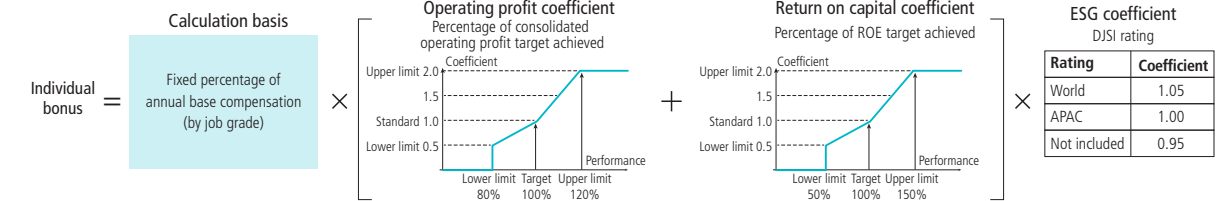
The Dow Jones Sustainability Indices Rating is a tool to validate companywide ESG initiatives. We incorporated it in the bonus formula for directors and executive officers to incentivize ESG initiatives. We also reflect level of ESG target achievements in the evaluation and compensation of executive officers, reinforcing their commitments to business units and Group headquarters.

#### Including ESG targets in director stock compensation

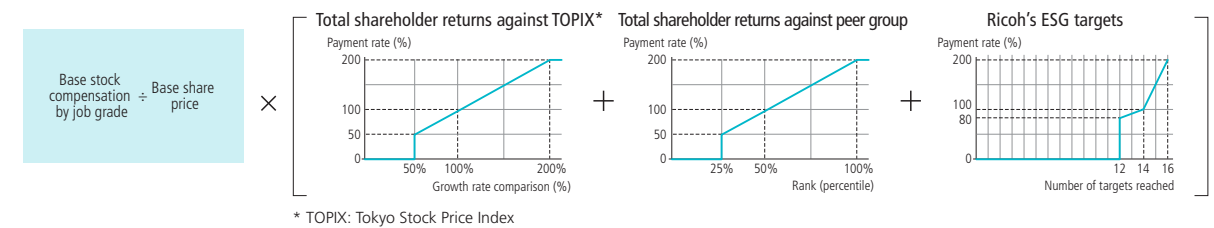
Under the 21st MTS, we reflect ESG targets in director stock compensation in addition to bonuses. We evaluate progress toward achieving 16 companywide ESG targets, this factor accounting for 20% of director stock compensation.

For more details, see: [Compensation of Directors and Audit and Supervisory Board Members on page 83](#)

#### Reference: Formula for directors' bonuses



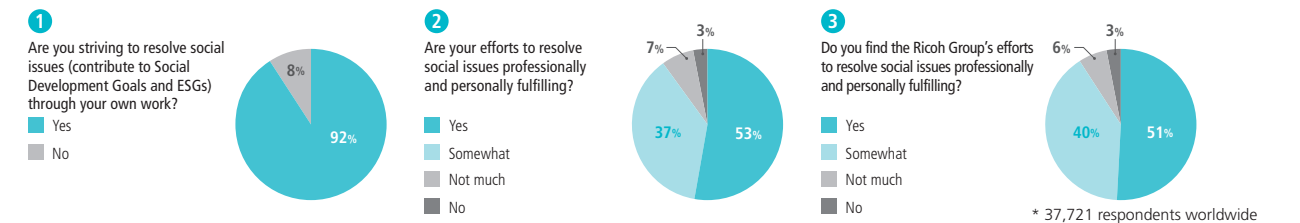
#### Reference: Formula for performance-linked stock compensation for directors



### Business unit and employee adoption

We consider it important to integrate ESG into each department for it to take hold across the Group. Domestic sales subsidiary Ricoh Japan set its own targets for bolstering its sales strategy and structure based on companywide materiality and ESG targets. It has integrated these targets into the activities of all departments to drive their internal adoption. We survey Group employees to assess whether their own and corporate

Sustainable Development Goal and ESG initiatives help boost their professional and personal fulfilment levels. This is to quantitatively measure adoption among them and their work fulfillment. In our June 2023 survey, 92% of respondents stated that they engage in Sustainable Development Goals and ESG initiatives through their work. Around 90% responded that they find their work professionally and personally fulfilling.



### Involvement in initiatives and advocacy

We support and involve ourselves in domestic and international sustainability initiatives and statements, collaborating with others to contribute to a sustainable economy. Since we began advocating environmental management in 1998, our basic policy has been to formulate and ground targets in scientific knowledge, including of the Intergovernmental Panel on Climate Change. We pursue climate change measures accordingly while building momentum for adoption across society.

cross-industry coalition in Japan that is tackling climate change. We remain an active, core member. Our efforts encompass diverse policy recommendations relating to climate change and initiatives to step up climate change mitigation endeavors across Japan's social and business landscapes.

In October 2021, then Ricoh president Jake Yamashita became co-chair of the Japan Climate Leaders' Partnership. In April 2022, he visited the Prime Minister's Office to hand deliver that organization's written opinion on climate change policy to the Prime Minister.