

Progress Report on Enterprise Value Improvement Project

May 7, 2024

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Ricoh Company, Ltd.



Ricoh's Vision

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- Today, I will report on progress with our Enterprise Value Improvement Project. I will start by outlining Ricoh's Vision, which underpins this initiative. We are diligently advancing this project to achieve the goals of our Vision.

To focus all business resources on transformation into a Digital Services Company

Transition from an office automation manufacturer
into a digital services company

Digital services
sales
composition

FY2023 Actual



FY2025 Target



Key initiatives

Profit Growth in Office Services

Promote Ricoh's Office Services to its global customer base to ensure recurring profit while improving its profitability by investment, such as product reinforcement through acquisitions

Continuous structural transformation in Office Printing business

Sustainably generate cash in the maturing market to fund the investment, by improving cost competitiveness through refining the sales model, pricing, and production efficiency and partnering with other companies

- The bottom section of this slide outlines key initiatives to transform into a digital services company. We will simultaneously drive profit growth in Office Services and a structural transformation in Office Printing. A key performance indicator will be our digital services sales composition, which we aim to lift to more than 60% in fiscal 2025.
- We designed the Office Services business model to enhance profitability and amass recurring revenues by adding various services to our Office Printing customer base. We will leverage customer trust to deliver diverse services.
- In Office Printing, we will strengthen our structure while undertaking a range of initiatives. These are to streamline production including in collaborations with other companies, review our sales channels, and optimize pricing strategies.

Becoming a global workplace services provider

Focuses

Serve as **workplace services provider** with global delivery capability in the changing workplace environment with increasing remote work and new role of office

BPA

Business Process Automation

Liberate customers from inefficient tasks by digitalizing and automating their business processes

CS

Communication Services

Drive customers' creativity by delivering collaborative meeting rooms and hybrid work environments

IT Services

Develop the foundational environment for workplaces (communications infrastructure, security, and data management)

Strengths

Customer base

Global customer base of 1.4 million companies, cultivated through Office Printing business

Customer touchpoints

Sales and support networks with depth understanding of workplaces and ability to identify customers' challenges and propose solutions

Intellectual Property

Ricoh's high-value-added products which utilize core strengths such as optical and sensing technology, and newly acquired software

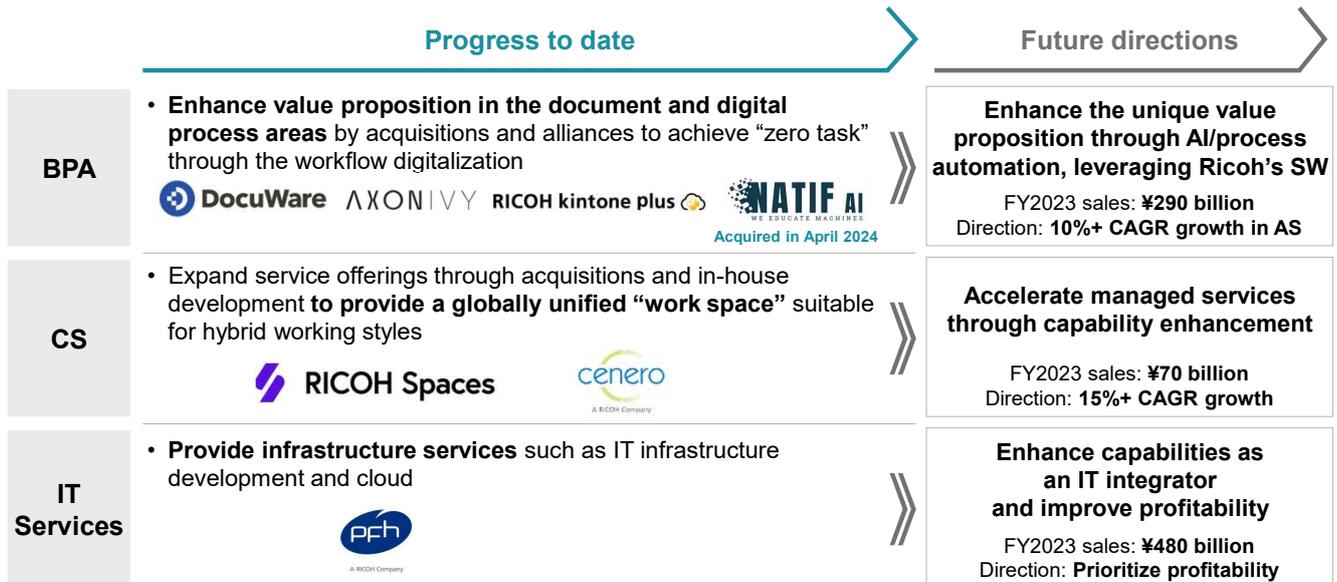
- Ricoh aims to become a global workplace services provider.
- Our customer base spans the globe, with touchpoints worldwide, allowing us to deliver services everywhere. We promote the adoption of our software in services we provide to customers, especially where it can enhance business improvements, to boost profitability.
- As the middle of the slide illustrates, we concentrate on business process automation, communication services, and IT services.

While we expect mid-to long-term changes in workplace areas, new demands will emerge

Mid-to long-term changes in workplace areas	Emerging demands
Changes in employment and organizations <ul style="list-style-type: none">• Organizations shift towards autonomous structure for further agility• Employees shift to flexible contracts with multiple employers to fully leverage their expertise	The demand for flexible IT environments, data management, and IT security suitable for open and flexible workstyles will accelerate
Changes in how we operate business processes <ul style="list-style-type: none">• While we base our work on predefined business processes and maintaining them up-to-date, it will shift towards data-driven design and optimization	Services are expected to deliver simple business processes to be automated and continuously refined based on data-driven insights
Changes in roles of communication <ul style="list-style-type: none">• Once insufficient tasks are automated, people will then interact to create new ideas and value• While collaboration among highly skilled experts generate new ideas, gaps due to different domain expertise arises	Assisting people's collaboration by identifying and filling communication gaps such as language, culture, expertise, and common understanding, will be required

- To contextualize our goal of becoming a digital services company, I will discuss the growing demand for digital services. The workplace domain for these services represents a massive market. As it evolves, we anticipate a wide range of demands.
- As you know, the coronavirus pandemic mainstreamed remote and hybrid workstyles, fueling demand for new IT environments and digital workflows. We anticipate significant changes in the workplace domain.
- A notable example is a transformation in employment and organizational structures. Where specialists from different fields collaborate, organizations will need to become flatter and more collaborative. We can envision scenarios in which specialists serve multiple employers. Flexible IT environments are vital in such cases. IT security is also becoming more important, generating diverse demands.
- Business processes are evolving as well. Automation and optimization are becoming increasingly sophisticated as artificial intelligence and other technologies advance. Communication roles are also changing. Technological progress will free people from inefficient tasks, empowering them to engage in more creative endeavors. As communication among highly specialized people becomes more critical to create value, new needs and services should become important.

Focus investments on workplace areas, and further evolve use cases



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- This slide shows where we are and where we are heading. We are steadily strengthening our capabilities and the value we provide in the business process automation, communication services, and IT services.
- In business process automation, for example, we are reinforcing our software capabilities by building on our own solutions, such as through DocuWare, which we acquired in fiscal 2019. We are also engaging in further acquisitions and partnerships. In April this year, we announced the acquisition of natif.ai, a German artificial intelligence startup. We made this strategic acquisition to bolster our capabilities in peripheral areas. We believe that by expanding value offerings into these areas we can deliver new functionalities to existing customers, thus minimizing acquisition costs while providing significant returns.
- In communication services, we have acquired several audiovisual technology integrators in Europe to enhance delivery. In the Americas, we purchased Cenero to strengthen our integrator capabilities and managed services delivery platform, targeting areas with excellent profitability prospects.
- We have positioned IT services as a foundational element for providing business process automation and communication services, thus enhancing profitability and integrator capabilities. Also, we are bolstering our offerings with packaged services, including Scrum packages that customers can easily deploy. We continue to enhance our integrator and proprietary software capabilities to further improve profitability.



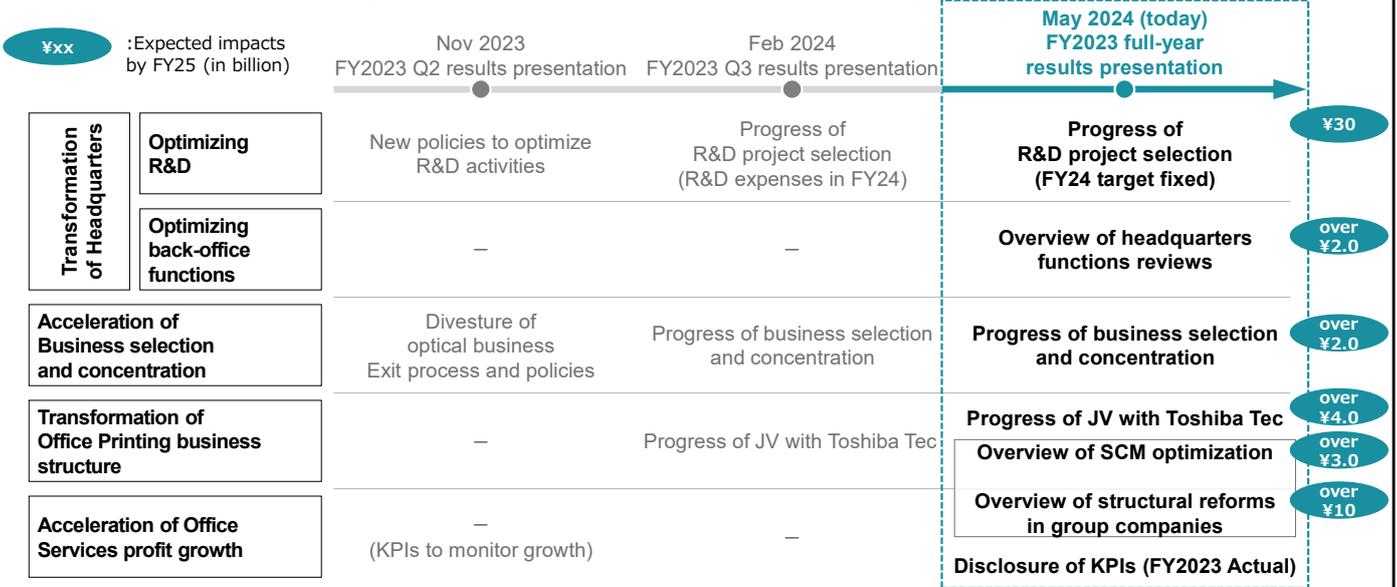
Initiatives for Profit Structure Transformation

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- To achieve the goals I have outlined, it is essential to establish an organization, processes, and cost structure that align with our new profit structure.



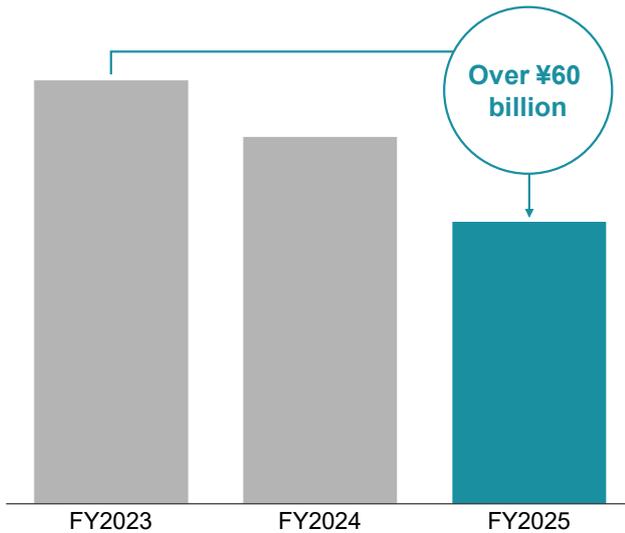
Update on the overall progress of Enterprise Value Improvement Project



- Today, I will update you on the areas within the dotted line on this slide.

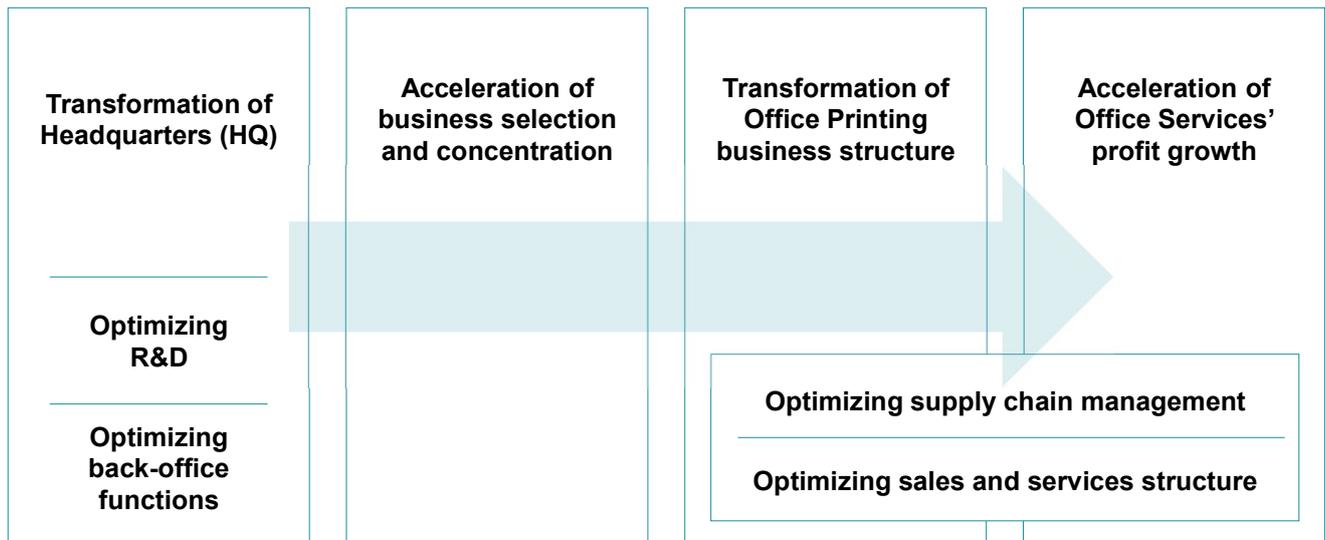


Reduce fixed costs by generating over ¥60 billion from Profit Structure Transformation by FY2025



- Accelerate development of talents for digital services by reskilling and strategically allocate resources to growth areas
- One-time cost has been partially incorporated into FY2024 forecast. Financial impacts exceeds the investment amount and expected to be recovered in FY2024
- Additional one-time cost will occur as needed and will be disclosed after appropriate internal review process

- We anticipate that our profit structure transformation will yield savings exceeding 60 billion yen from fiscal 2023 through fiscal 2025. For measures requiring formal decision-making, we will disclose any one-time costs in a timely manner.

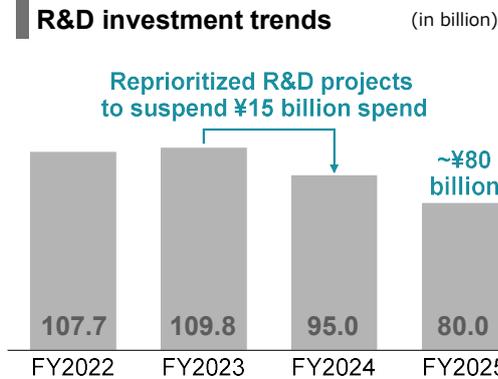


- Our profit structure reform program comprises four key components. These include transforming headquarters, accelerating business selection and concentration, and transforming the Office Printing business structure. We will use resources generated from these reforms to hasten Office Services earnings growth. We will optimize supply chain management and review our sales and services structure across Office Printing and Office Services.

Key initiatives

- **Focus R&D investment on workplace areas** to drive transformation to a digital services company. Accordingly, **optimize annual companywide R&D expenses at around ¥80 billion by FY2025**
- **CTO leads company-wide R&D resource allocation and ensures strategic focus and priorities**

Progress to date



- Decisions made to suspend:
 - 1) **technology-driven projects with less probability for scale**
 - 2) **projects with limited relevance to digital services**
- **Redefining R&D process as global collaboration which enables customer-centric R&D** and CTO to manage company-wide R&D resource **for strategic resource allocation to workplace areas**

- This slide focuses on optimizing R&D as we transforming headquarters. We aim to lower R&D expenses from about 110 billion yen, to around 80 billion yen. To optimize investments in the workplace domain, we established a structure in which the chief technology officer oversees companywide R&D resource allocations and ensures strong governance.
- Our project selection and concentration are progressing. We plan to suspend about 15 billion yen in spending by optimizing projects during fiscal 2024. Projects that we have earmarked for discontinuation have relatively low business feasibility or do not align with our strategic direction, and suspending them will not impair our growth potential.



Key initiatives

- **Shift the management structure suitable for a digital service company** which promotes further value creation at customer touchpoints
- Streamline operations by digitalizing processes and **reflect the reduced workloads to organizational structure**

Progress to date

Redefine headquarters functions	<ul style="list-style-type: none"> • Transforming to a redesigned headquarters from April 2024, clarifying the functions to be strengthened or optimized as a digital services company • Specifically, strengthening CoE functions such as supply chain management and divestment while optimizing functions such as shared services <small>※Center of Excellence</small>
Streamline operations by process digitalization	<ul style="list-style-type: none"> • Strengthen process DX resource with reskilling programs (e.g. data utilization and system development skills) • Shift resources to growth areas by driving process DX of 2,000 person-months worth of operational efficiency and reduced workload

- As part of headquarters reforms, we are optimizing back-office functions by streamlining operations, reducing workloads, and reviewing the organizational structure through process digitalization and other measures. We expect to benefit significantly from these reviews.
- While cost optimization remains a priority, we are also committed to strengthening our cost structure and the functions that require enhancement.
- To overhaul supply chain management comprehensively, we need to revamp the entire value chain. We will establish an organization within headquarters that oversees the entire chain.
- In strengthening headquarters functions to support divestments, which is crucial for accelerating selection and concentration, we will clearly delineate between functions that need streamlining and those that require strengthening.



Key initiatives

- Strategically allocate resources to **Workplace as the focus area** where Ricoh's strengths can be leveraged
- The businesses reviewed in the PFM will **explore exit strategies and targeted with financial contribution by FY2025**

Progress to date

Withdrawal from low profit businesses

- **6 businesses are in progress and at the final phase of the exit process** (out of targeted 10 businesses)
- Accordingly, **signed Share Transfer Agreement for the optical business in October 2023 and divested eDiscovery Services business in April 2024**
- **Expand business review for further impact** with criteria around market potential, ROIC and compatibility with digital services

Organize new businesses

- Steady progress towards completion for the businesses with exit strategies

- Here is an update on efforts to accelerate business selection and concentration:
- We have strategically allocated resources to the workplace domain and have entered the final phase of exiting six out of ten targeted businesses. We have already publicly announced exits for two businesses.
- The first announcement was in October 2023, where we agreed to transfer our optical business. The second announcement was in April of this year, where we disclosed our decision to divest the eDiscovery Services business in the United States.
- We will keep actively managing our business portfolio, focusing on accelerating selection and the concentration.



Key initiatives

- Ricoh and Toshiba Tec establish ETRIA as a joint venture on July 1, 2024, for cost optimization due to on-going decline in the market
- Final phase of preparation for Day One to ensure a smooth business integration and early realization of synergies

Key actions and generated impact

Optimize manufacturing and development

Optimize manufacturing and development costs by streamlining the product lineup and integrating supplies

Reduction in procurement costs

Reduce procurement costs through joint procurement by both companies

Develop common MFP engines

Optimize production costs and create distinctive value through developing and utilizing shared engines

Focuses in the first year

- **Early realization and execution of synergy initiatives:** To realize financial contribution in timely manner, detail plans prepared for product roadmaps and production site strategies
- **Smooth business integration:** To ensure smooth integration and synergy benefits, phased approach will be undertaken and the existing operational systems of both companies will be leveraged

- This slide overviews structural reforms of the Office Printing business and the planned establishment of ETRIA on July 1 this year. This joint venture with Toshiba Tec will deliver three benefits.
- The first is to optimize manufacturing and development costs by streamlining the product lineup and integrating supplies.
- The second is to reduce procurement costs through joint procurement.
- The third is to optimize production costs and create distinctive value by developing common engines.
- Streamlining the product lineup and developing common engines will lower procurement and other costs. Upon establishing ETRIA, we will integrate the businesses of both organizations to stabilize operations.

Key initiatives

- **Promote measures across the entire supply chain** of Office Services products to transform into the profit structure optimized for a digital services company
- **Reduce supply chain costs by optimizing global processes and networks** to adapt flexibility to changing external environment

Progress to date

Optimize procurement for Office Services products

Strengthen the global procurement structure in Office Services business.
Fully leveraging economies of scale to reduce procurement costs for IT products

Optimize demand forecasting process

Optimizing inventory and streamlining operations by improved accuracy and automated processes between demand forecast and production planning

Optimize logistics costs

Revisiting inter-regional and intra-regional logistics networks and optimizing last-mile processes

Expected **profitability improvement of over ¥3 billion** compared to FY2023

- Turning to efforts to optimize supply chain management, as I mentioned earlier we need to oversee the entire supply chain. We will review our global process network to curb costs in that chain.
- We are undertaking three main initiatives.
- First, we aim to strengthen the global procurement structure in the Office Services business. For example, we will cut procurement costs for PCs, servers, and other Office Services offerings.
- Second, we are optimizing inventory and streamlining operations by improving accuracy and automating processes between demand forecast and production planning. Pandemic-induced supply chain disruptions highlighted areas needing improvement. We will undertake comprehensive improvements and boost operational efficiency.
- Third, we are revisiting inter- and intra-regional logistics networks and optimizing last-mile processes to optimize logistics costs.
- These initiatives should contribute at least 3 billion yen more to earnings from the fiscal 2023 level.

Key initiatives

- **Sales, service, and support optimization are vital to transition into a digital services company**, with a focus on enhancing customer relationships to maximize customer value
- **Standardize operations through process digitalization** to enhance productivity
- **Establish a more efficient sales model** by leveraging new approaches such as inside sales, and globally optimize the sales and services structure

Progress to date

Structural reforms of group companies

- **Implemented structural reforms of group companies** to optimize the sales and service structure
- The one-time costs related to the **structural reforms** have been included in the FY2024 forecast

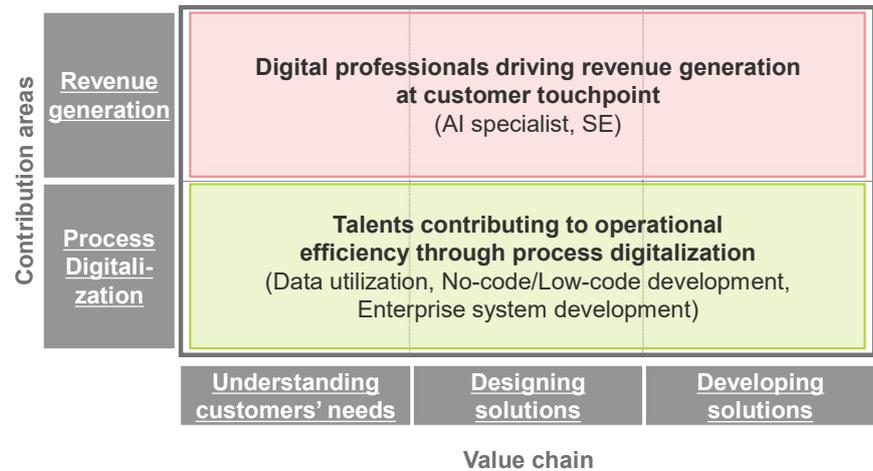
- We are reviewing our sales and service structure to align it with a digital services company setup. We will optimize sales, service, and support.
- In particular, it is essential to strengthening customer touchpoints to generate more value, many areas require enhanced efficiency. We have begun assessing the appropriate structure in each region, including whether our existing channels and sales structures are sufficient.
- We are also improving productivity by digitalizing sales and service processes. For example, we are increasing efficiency by using inside sales. We have already begun efforts that involve one-time charges to improve efficiency.

Systematically implement reskilling programs as a strategic option of human capital investment

Overview

- Implement **reskilling programs** alongside talent acquisition through M&A and recruitment to secure the skills required for a digital services company
- Develop **digital professionals such as AI specialists and SE** for revenue contribution
- Develop **process digitalization experts** who enhance operational efficiency and drive insourcing to underpin transition into a digital services company

Talent targeted to be strengthened through reskilling programs



- As already outlined, human capital is crucial to our strategy. I will elaborate on how we are leveraging this asset.
- You might think that harnessing human capital simply involves reallocating people and does not contribute to profits, but we believe that it can. As the right of the slide shows, digital professionals will drive sales and earnings at each customer touchpoint within targeted areas. We will also lower expenses by enhancing internal efficiencies and cutting back on outsourcing.
- We will develop talent through reskilling initiatives so we can achieve our goals.
- Artificial intelligence specialists and systems engineers who can deliver customer solutions are required not just in Japan but globally. From a sales perspective, we seek to recruit such people externally as well as internally. We will use our reskilling program to develop in-house systems engineers who can provide customer solutions and boost sales.
- We will also train people who can utilize data, digitalize processes, and develop systems with a view to insourcing IT and systems operations.
- We will increase the number of such people internally and drive earnings not just by digitalizing internal business processes but also by acquiring external businesses.

Key initiatives

- **Continuously improve profitability** of Office Services business as key enabler for **workplace services provider**
- Profit growth mechanisms are to (1) **increase Office Services adoption rates** within existing customers, (2) **increase number of product deployments** per customer, and (3) **enhance the proportion** of highly profitable **recurring business offerings**

KPIs for profit growth



FY23 result

Note: Office Services adoption rate and Recurring sales growth rate are for around 0.97M companies excluding Ricoh Japan's distributor customers

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- While leveraging reskilled personnel, we are pursuing three key performance indicators to accelerate Office Services earnings growth. These are the number of customers, the Office Services adoption rate, and the recurring revenue growth rate.
- We consistently serve 1.4 million customers and anticipate maintaining this level, albeit with some regional variations.
- Around 35% of our customers employ our Office Services, representing a slightly increase over fiscal 2023. We aim to expand the user base for DocuWare, which attracted 1,500 new customers in fiscal 2023.
- Recurring revenue levels have been solid, rising 10% in fiscal 2023 after excluding the foreign exchange impact and 17% after factoring it in. We aim to further expand recurring revenues in coming years.

“Delivery” is our focus this year.

**Our profit structure transformation initiatives are key
to transition and align our profit structure as a digital services company**

- We have positioned fiscal 2024 as a pivotal year for implementing each of our initiatives to transform our profit structure.
- We crafted these initiatives to account for distinct business models of Office Printing and Office Services, including their shared infrastructure and customer environments.
- By successfully executing these initiatives, we will establish a corporate structure that aligns with our new profit structure.
- We will also pursue initiatives that we have not discussed today. We will provide timely updates for any measures entailing spending that requires formal decision-making once they are ready for disclosure.

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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.

Change in business category

Effective from the fiscal year ending March 31, 2024, Ricoh reclassified the PFI business and some common expenses from the Other segment into Ricoh Digital Products and Ricoh Digital Services.