

Progress Report on Enterprise Value Improvement Project

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Ricoh Company, Ltd.



Ricoh's Vision

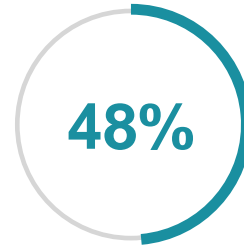
Transformation to Digital Services Company

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

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

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

- 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

- 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

- 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

Ricoh's current landscape and future directions

Focus investments on workplace areas, and further evolve use cases

Progress to date

Future directions

BPA

- Enhance value proposition in the document and digital process areas by acquisitions and alliances to achieve “zero task” through the workflow digitalization



Enhance the unique value proposition through AI/process automation, leveraging Ricoh's SW

FY2023 sales: **¥290 billion**
Direction: **10%+ CAGR growth in AS**

CS

- Expand service offerings through acquisitions and in-house development to provide a globally unified “work space” suitable for hybrid working styles



Accelerate managed services through capability enhancement

FY2023 sales: **¥70 billion**
Direction: **15%+ CAGR growth**

IT Services

- Provide infrastructure services such as IT infrastructure development and cloud



Enhance capabilities as an IT integrator and improve profitability

FY2023 sales: **¥480 billion**
Direction: **Prioritize profitability**



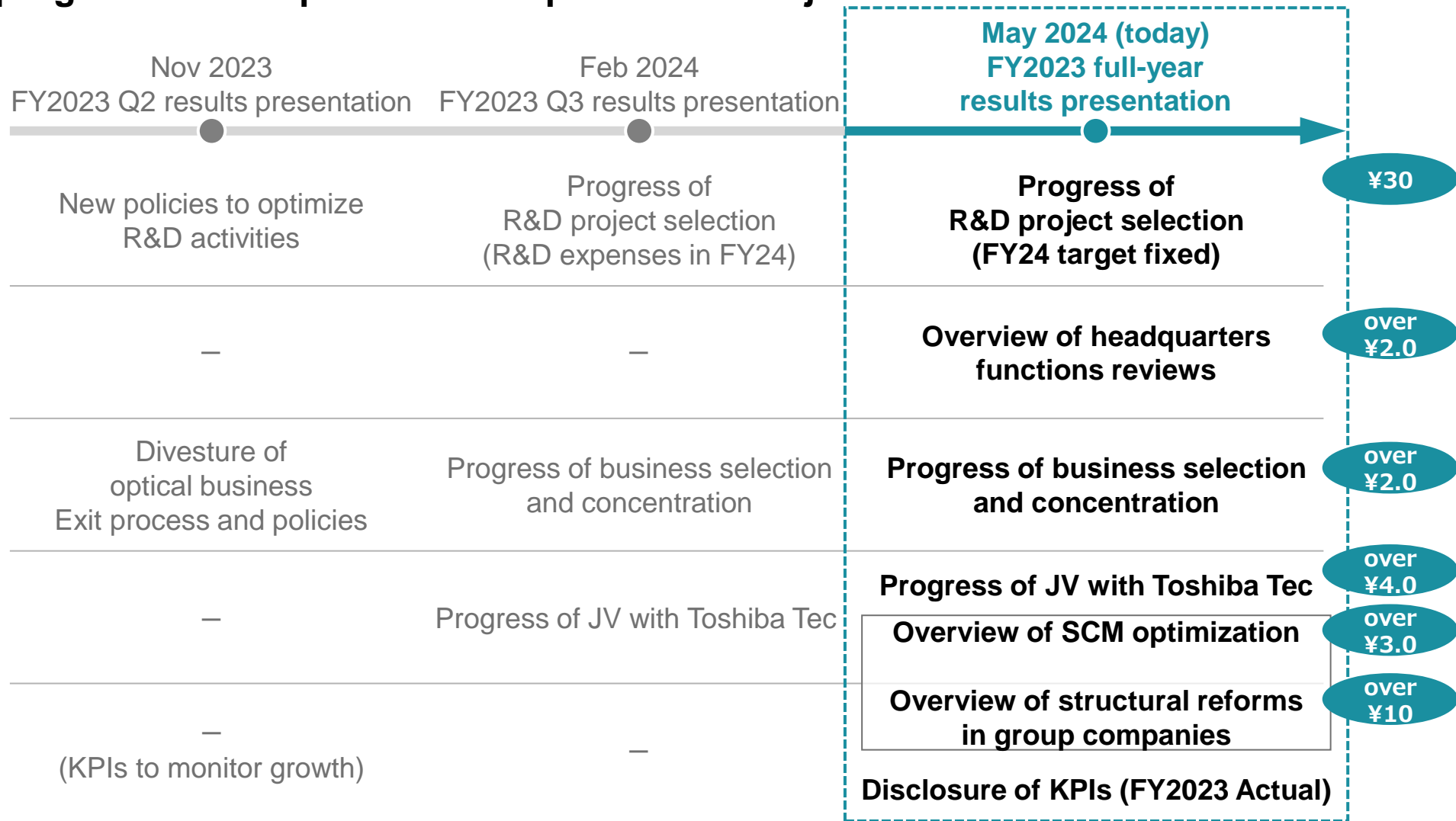
Initiatives for Profit Structure Transformation

Previous announcements and today's updates

Update on the overall progress of Enterprise Value Improvement Project

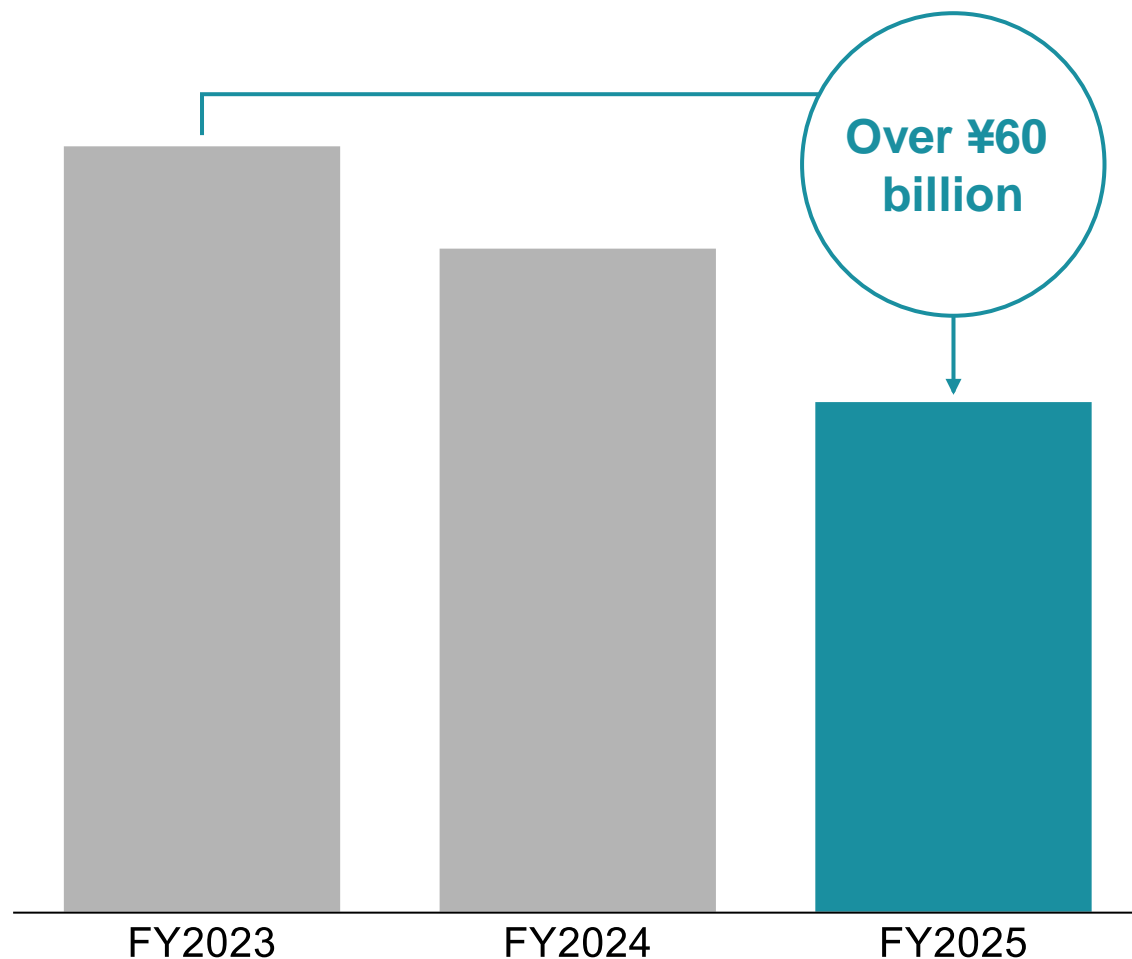
¥xx

: Expected impacts by FY25 (in billion)



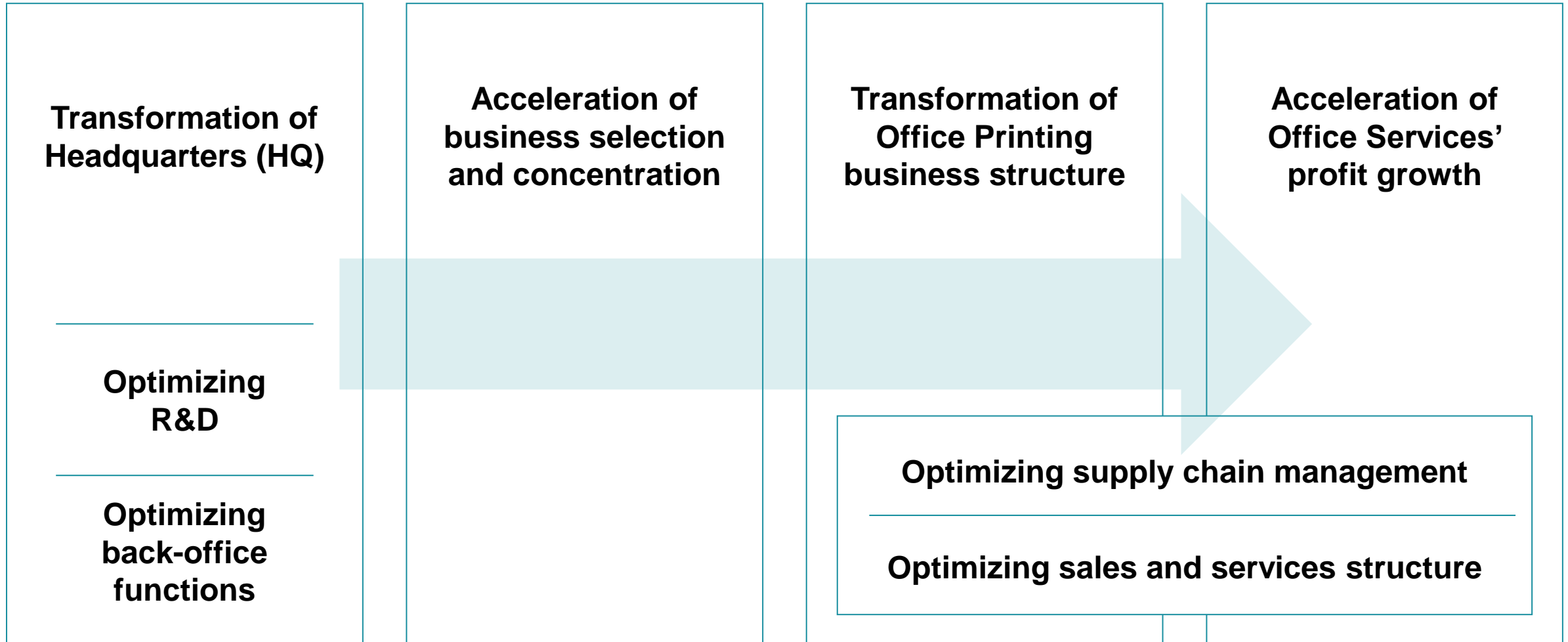
Expected impact from Profit Structure Transformation

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

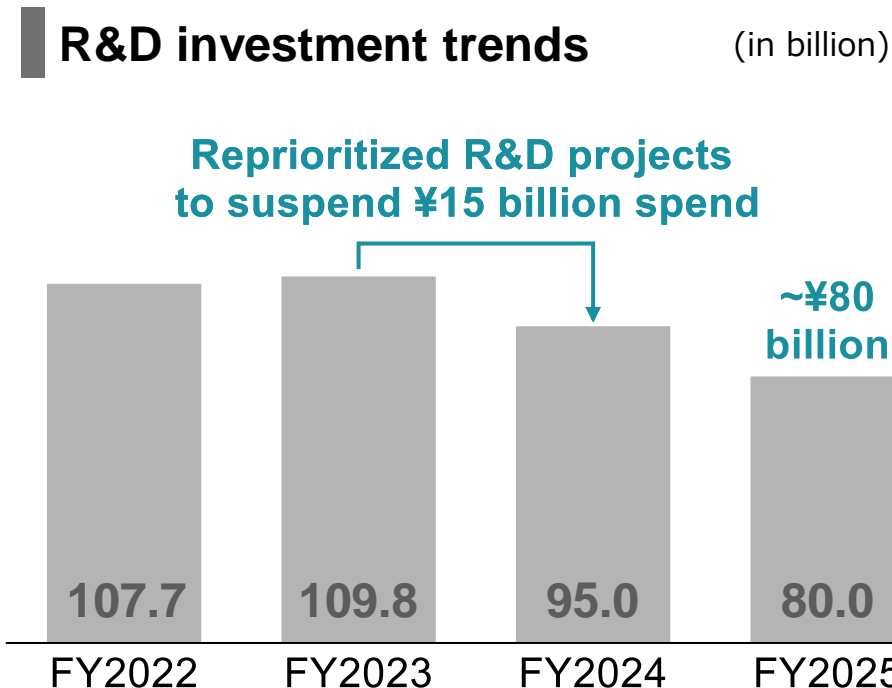
Overview of Profit Structure Transformation



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**

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

- **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

※Center of Excellence

Streamline operations by process digitalization

- **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

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

Transformation of Office Printing business structure: JV with Toshiba Tec

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

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

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

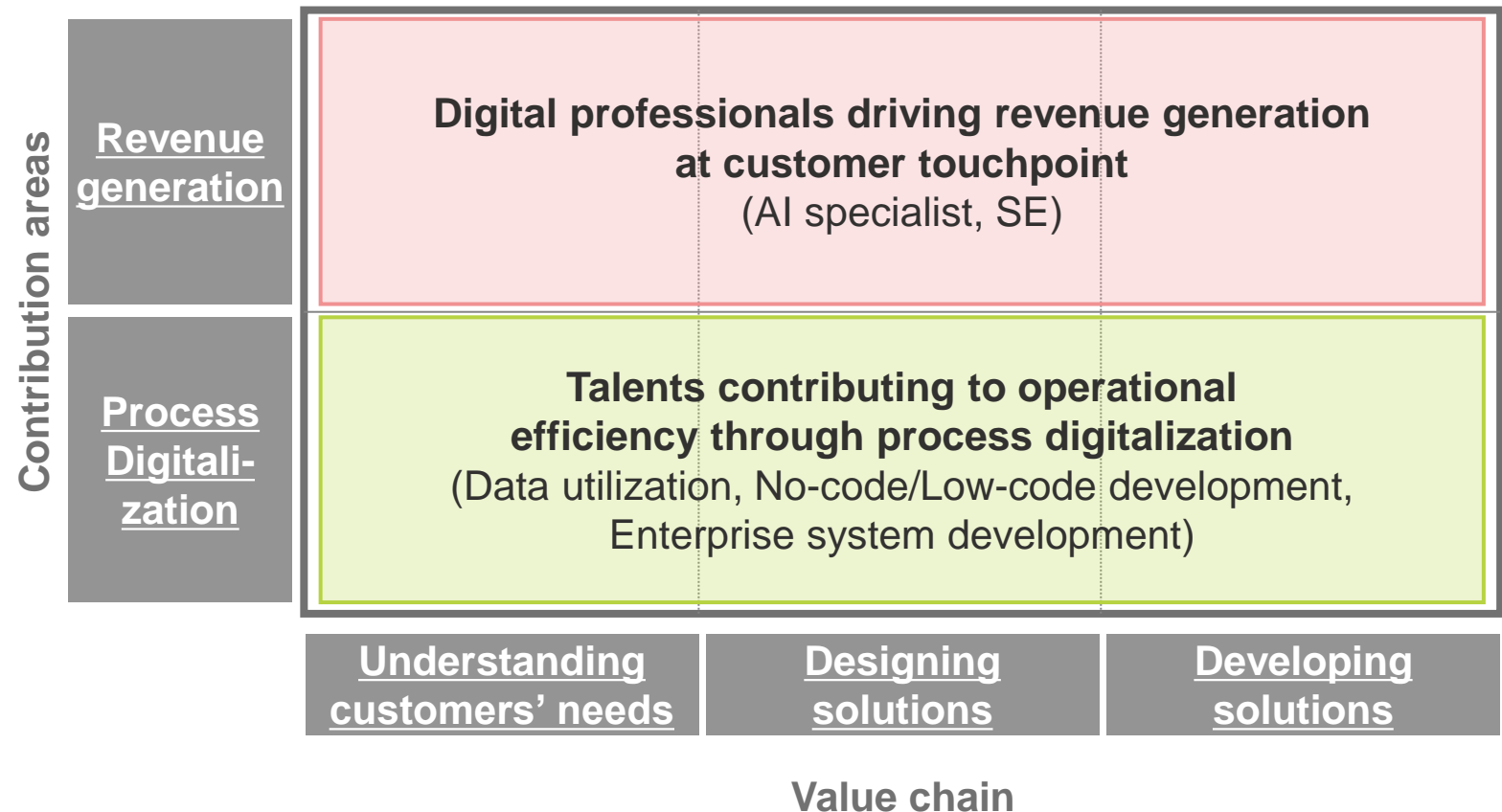
- **Implemented structural reforms of group companies** to optimize the sales and service structure
- The one-time costs related to the **structural reforms** have been included in the FY2024 forecast

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



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



Number of customers

Total number of existing customers

1.4M companies



Office Services adoption rate

Proportion of customers with Office Services contracts

35%



Recurring sales growth rate

The sales growth rate of recurring business offerings in Office Services business

+10 %
*17% including the effects of exchange rates

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

“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**

RICOH
imagine. change.

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 recategorized the PFU business and some common expenses from the Other segment into Ricoh Digital Products and Ricoh Digital Services.