

Progress Report on Enterprise Value Improvement Project

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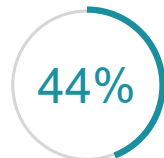
Ricoh's Vision (Recap)

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

Transition from an office automation manufacturer
into a digital services company

Digital services
sales composition

FY2022 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 by refining the sales model, pricing, and production efficiency and partnering with other companies

Becoming a global workplace services provider

Vision

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

Focuses

IT Services

Provide service to implement and manage information and communications infrastructure in workplaces

Business Process Automation (BPA)

Improve customers' productivity by digitalizing and automating their business processes

Communication Services (CS)

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

Strengths

Customer base

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

Customer touchpoints

Regional sales and support networks with depth understanding of workplaces and customer trust

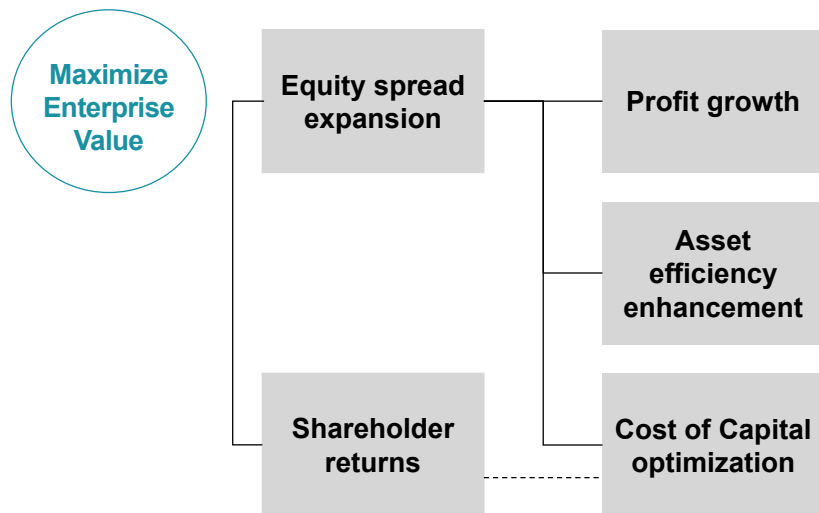
Intellectual Property

Ricoh's high-value-added products and services which can be offered as a total solution



Achievements and Challenges

Price-to-book ratio remains below 1X despite ongoing improvement efforts

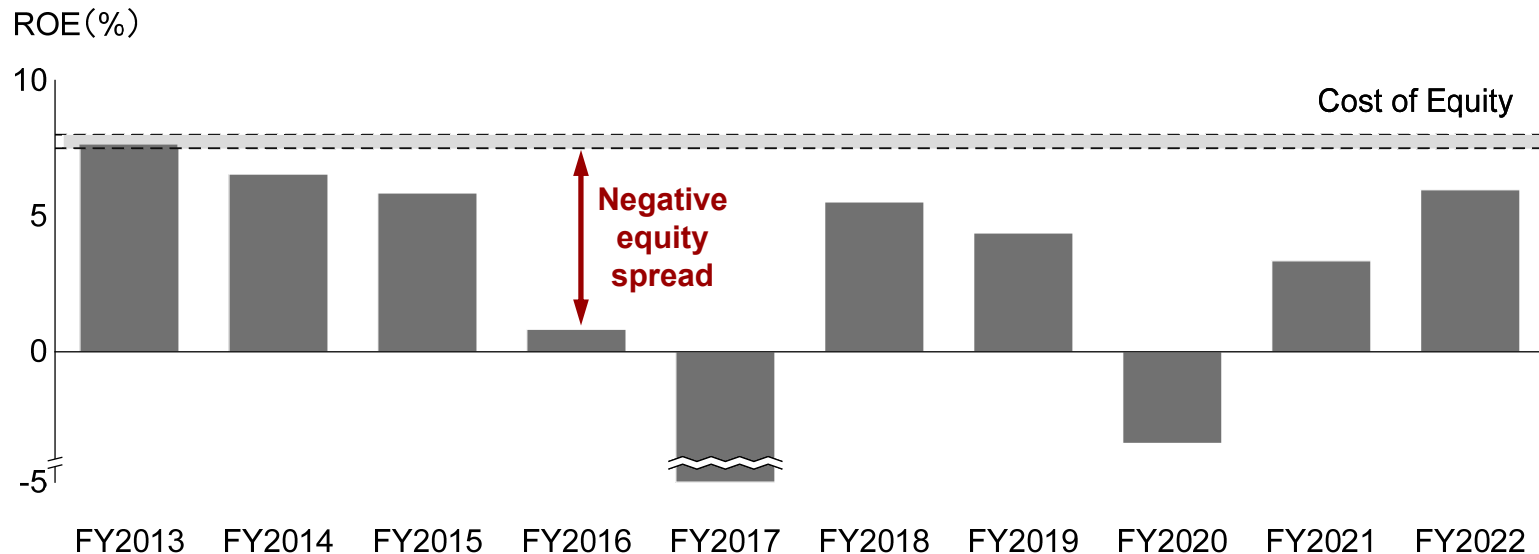


Key initiatives to date

- Cost reduction: Reformed Office Printing business
 - Business structure transformation: Increase sales composition of Office Services
-
- Divesture of Ricoh Electronic Devices (Oct 2017)
 - Divesture of Ricoh Logistics System (May 2018)
 - De-consolidation of Ricoh Leasing Company, Ltd. (Mar 2020)
-
- [Shareholder returns] Maintained the total shareholder return of 50%, and flexibly implemented additional measures (Repurchased ¥100 billion and ¥30 billion in shares in March 2021 and May 2022, respectively)

Underperforming ROE holding PBR down to below 1x level

Equity spread remained negative persistently due to underperforming ROE

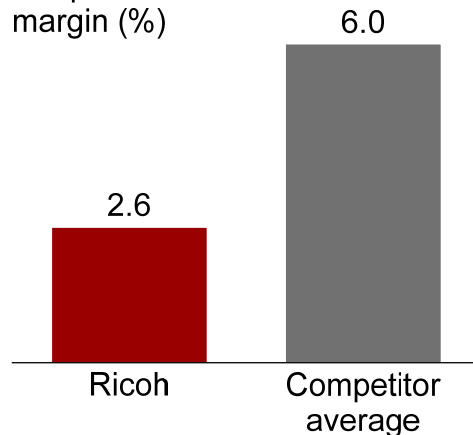


Low profitability is the primary factor

Comparison with competitors,

Profitability

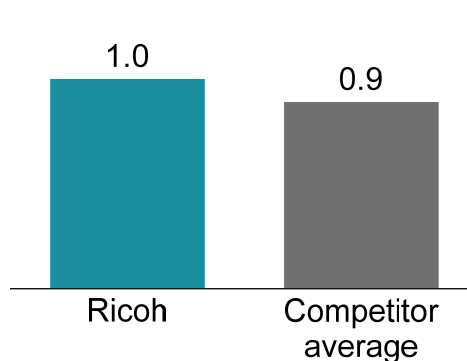
Net profit margin (%)



Improve with a top priority

Asset efficiency

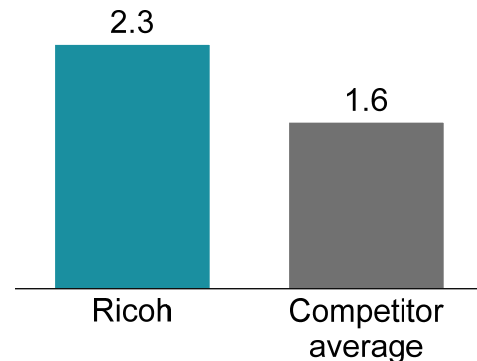
Total asset turnover ratio



Maintain policies while continue to improve

Capital structure

Financial leverage ratio



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

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**"

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

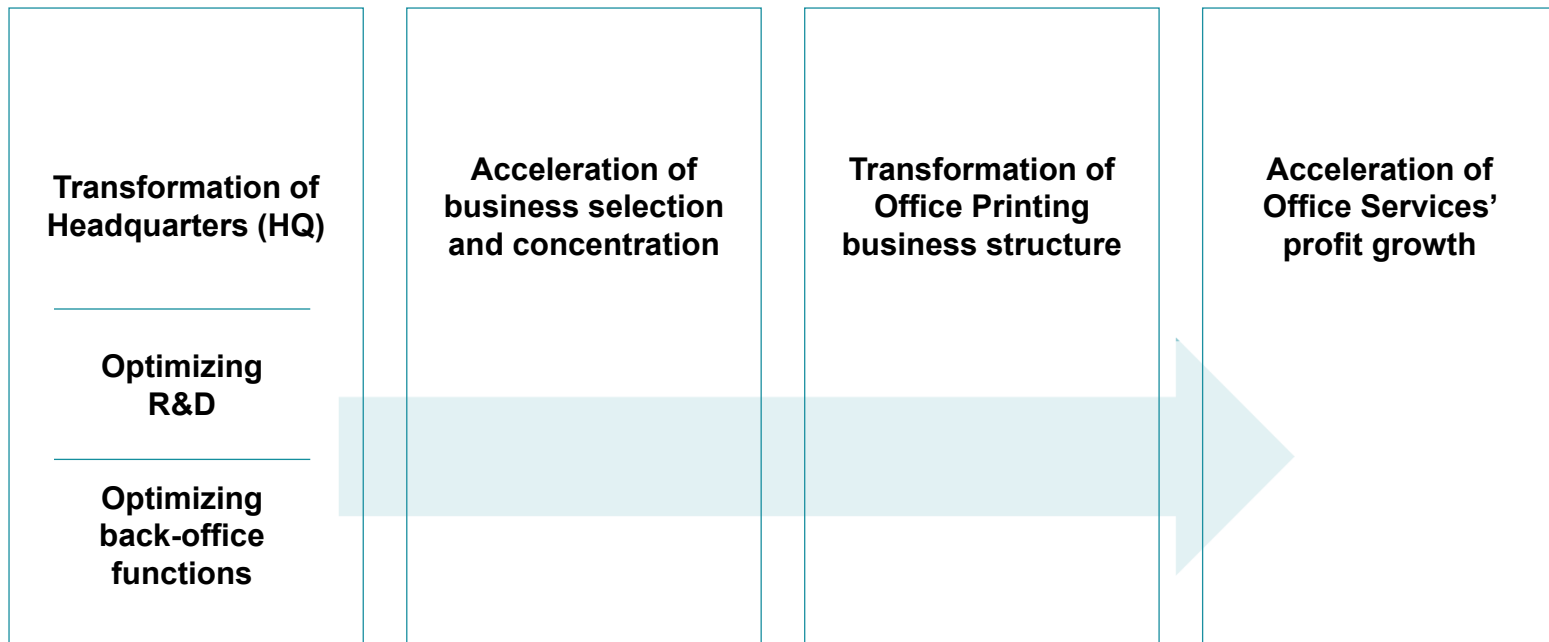


Future Policy

- **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**



Accelerating transition to Digital Services



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)**

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

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

- Targeting 10 businesses with aggregate sales of ¥180 billion
- Will announce moves once progress under way

Organize new businesses outside “workplaces” area

- Conduct exit process for three non-core businesses
- **Anticipating ¥1.5 billion profitability improvement** compared with FY2022

Establish a special unit responsible for exit strategy and execution

- Launched in October 2023

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

- Streamline production and development with shared technologies and facilities
- Harness common engine and allow each brand to develop uniqueness

Optimize sales and services structure under potential continuous market decline

- The specific approaches and the financial impacts will be announced in the 21st Mid-Term Management Strategy progress update

Eliminate duplication of back-office operations and promote DX

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

Total number of existing customers



Office Services adoption rate

Proportion of customers with Office Services contracts



Recurring revenue ratio

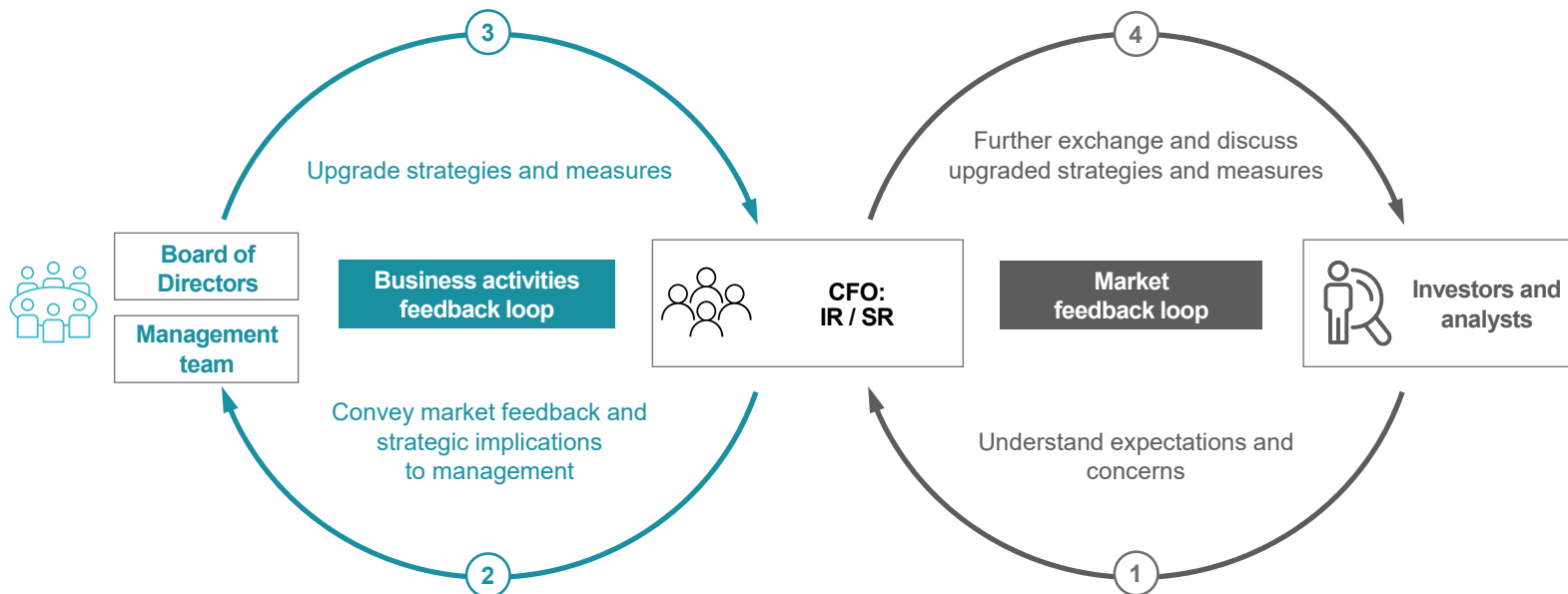
Recurring revenues ratio within Office Services revenue



Summary

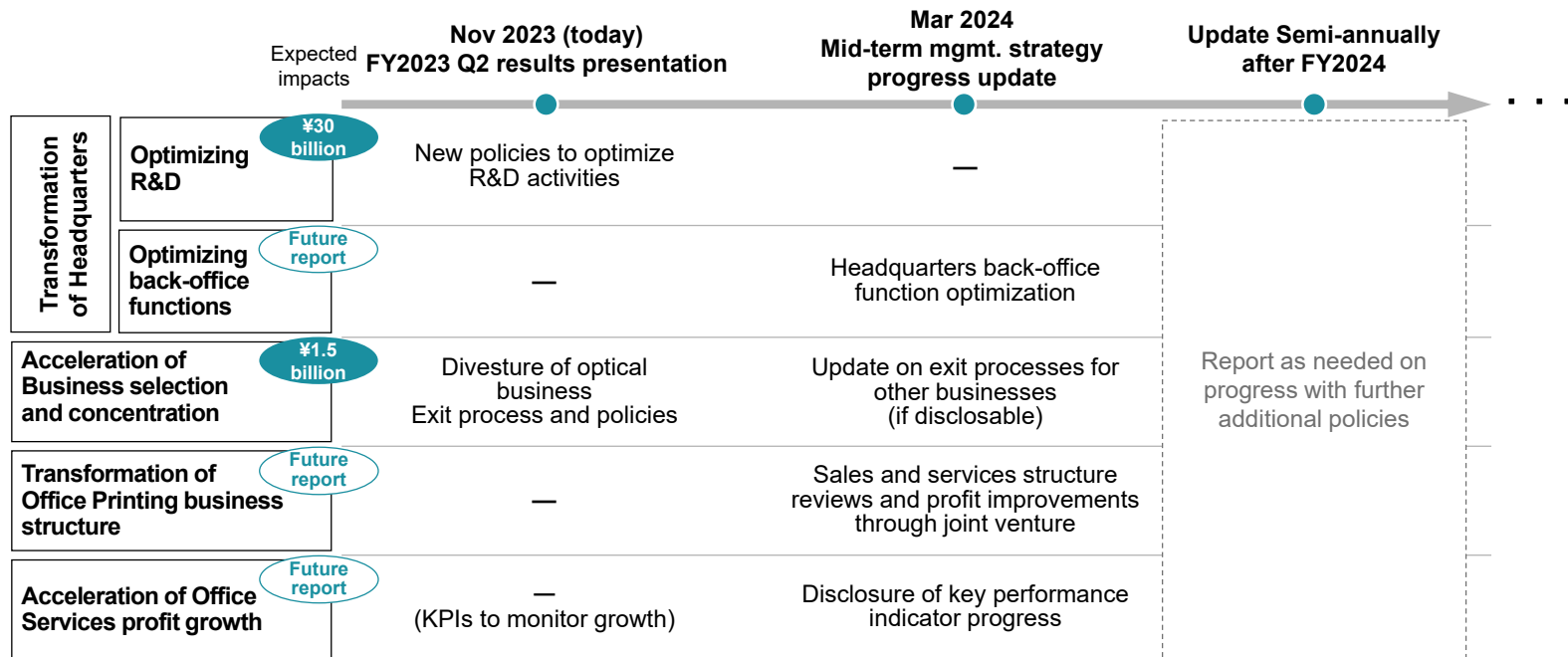
Reinforce Feedback Loop with Capital Market

Strengthen and establish feedback loop to maintain momentum for change



Note: IR=Investor Relations; SR=Shareholder Relations

Progress and additional measures to be announced



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 million
(after excluding foreign currency translation adjustments)
(Adjust flexibly in line with business structure changes)
- Target 50% Total Shareholder Return

Note: *Additional measures to be announced

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 |

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- 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.