

Ricoh's Governance Reforms

RICOH
imagine. change.

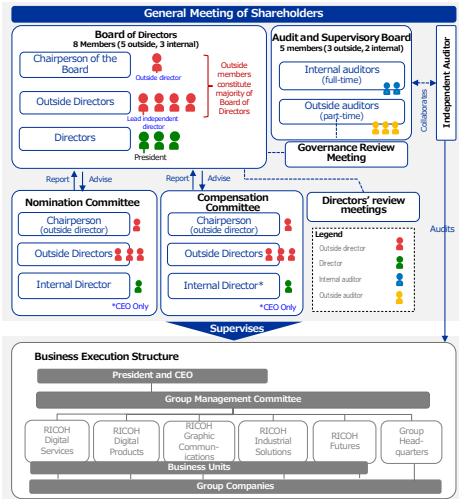
- **Governance Overview**
- **Governance Reform Progress**
 - Restructuring Governance to Overhaul Management
 - Enhancing Capabilities of Nomination Committee
 - How Board is Tackling Adverse Business Climate
- **Challenges and Direction**

November 18, 2022

Masami Iijima

**Lead Independent Director
Ricoh Company, Ltd.**

- Thank you for joining us here today.
- Ricoh faced numerous management issues when I became a director in 2016. I tackled a range of challenges in my role and pressed ahead with governance reforms to rebuild and solidify the company.
- I hope that today's presentation on the backdrop and our endeavors will underscore the important contributions of outside directors to governance at Ricoh and the effectiveness of the Board of Directors.
- Today's materials include some additional details for shareholders who are not present. I will focus on some key points.



Institutional Design

- Reviewed annually
- To transform its business structure, Ricoh adopted a company with an Audit and Supervisory Board structure to empower the Board of Directors to draw on wide-ranging expertise in making decisions and supporting business execution

Board of Directors

- Outside members account for a majority on the Board of Directors to reinforce supervision and broaden expertise
- We strengthened the functions of outside directors by having one serve as chairperson, with a lead independent director managing other outside members

Nomination and Compensation Committees

- Both bodies are highly independent and have strong supervisory functions, with the CEO being the sole executive representative

Business Execution Structure

- Adopted a business unit structure in fiscal 2021
- With that structure in place, the Nomination Committee confirms and assesses the performances of executive officers to whom Ricoh delegates authority

1

- Here is an overview of our governance setup.
- Ricoh must steadily transform itself into a digital services company. We accordingly need directors who can draw on wide-ranging expertise and who are free of the constraints of the Company's printing-centric culture to take part in decision-making and encourage executives to achieve that goal. That is partly why we adopted a company with a Board of Company Auditors structure.
- We monitor the Board of Directors and the Nomination and Compensation committees from shareholder perspectives by ensuring that outside directors constitute majorities on those bodies. We have also made the meeting structure more conducive to outside director participation.
- On the execution front, we adopted a business unit structure in fiscal 2021. We seek to foster autonomous, nimble operations while having executive officers report to the Board of Directors in keeping with our move to transfer authority and strengthen supervision of performance evaluations.



Fiscal 2016	Establishes Board of Directors Office Splits Nomination and Compensation Committee Chairperson of Board of Directors becomes non-executive director position Directors' review meetings established	Restructured management and strengthened supervision to make it outside director-led	<ul style="list-style-type: none"> Non-executive chairperson making proceedings more objective and deepening deliberations Nomination Committee and Board of Directors led change in management structure and termination of management advisory system Outside directors leading annual review of institutional design and Board composition
Fiscal 2017	Changes management structure Boosts independence of Nominating and Compensation committees Establishes Board-driven agenda setting Reinforces internal controls, accounting procedures, and investor relations and disclosure structures		Established Board of Directors-related structure
Fiscal 2018	Sets director terms at one year Terminates management advisory system Introduces two-tiered evaluation setup for CEO and directors	Had Board set agendas	
Fiscal 2019	Establishes Governance Review Meeting Annually assesses institutional design and Board of Directors composition Deploys stock-linked compensation plan Strengthens independence in choosing prospective auditors		
Fiscal 2020	Revises director bonus formula (adopts return on capital and ESG indicators) Reinforces succession plans		
Fiscal 2021	Steps up ROIC-based business portfolio management Assesses senior management performances Observes outside auditor participation in Nomination and Compensation committee meetings		
Fiscal 2022	Reviews governance structure (Changes composition of Board of Directors so majority of members are outside directors, makes Chairperson of that body an outside director, and sets up lead independent director position) Creates Board culture Sets up Outside Directors Meeting Revises base compensation and bonus formula for directors (for job grade compensation and target achievement)		

- When I became a director in 2016, Ricoh's business structure and global risk management were clearly frail. There were issues, for example, with the management structure, Ricoh India, and accounting practices at U.S. affiliates. I believed that overhauling governance was paramount in rebuilding management. We outside directors spearheaded a range of reforms.
- Efforts to ensure the effectiveness of the Board of Directors began with ensuring that half of its members would be outside directors, with they and internal non-executive directors constituting a majority on that body. Ricoh was going through a management transition at the time, and we asked an internal non-executive director familiar with conditions within Ricoh but with sufficient distance from business execution to chair the Board. We aimed to stabilize the structure while reinforcing supervision.
- A new CEO took the helm in 2017, with the chairperson stepping down the following year, thus revamping the management structure. We also concentrated responsibility and authority in the CEO. We did that by terminating the management advisory system to prevent individuals with previous top executive experience but who are not responsible to shareholders from involving themselves in current management.
- In view of Ricoh's direction and operating climate, we switched to annual reviews of the institutional design and composition of the Board of Directors that are central governance. We additionally required executives to strengthen internal controls, accounting procedures, and investor relations and disclosure to manage global risks.
- With its outside directors leading the way, the Nomination Committee has played an important role in reforms.
- As well as a structural setup, we need a framework for free and vigorous deliberations. We accordingly established Directors' review meetings to build consensus after extensive debate about key important topics. We also created Governance Review Meetings to facilitate scrutiny and enhance governance.
- We changed Board of Directors meeting agendas such that all officers discuss issues based on evaluating the effectiveness of the Board of Directors, determining agenda items to prioritize or thoroughly monitor, and incorporating them in a Board-driven annual schedule. It thereby became possible to focus on key topics that shape corporate value from time and quality perspectives. On top of that, we enhanced our operations by employing a combination of written resolutions, reports, and online gatherings to ensure timely decision-making and monitoring.
- After Jake Yamashita became CEO, we asked him to overview recent developments at Ricoh at the start of Board meetings to apprise outside directors of the company's situation. This approach helped reduce information gaps for outside directors, so we thereafter asked the CTO to provide a technical overview as well.
- It is also vital to have a structure in place to oversee practical matters so we can implement governance reforms. To initiate them, we set up the Board of Directors Office, which reports directly to the Board and is separate from the executive structure, and put in place an implementation system that directly reflects outside director views in management.



Fiscal 2016	<p>Establishes Board of Directors Office Splits Nomination and Compensation Committee Chairperson of Board of Directors becomes non-executive director position</p>	<p>Made committees more independent</p>	<ul style="list-style-type: none"> • A majority of members are outside directors, as is the chairperson • Enhanced auditor attendance and reporting to Board of Directors to improve transparency • Boosted objectivity and independence by ensuring that all members other than CEO are outside directors
Fiscal 2017	<p>Directors' review meetings established Changes management structure Boosts independence of Nominating and Compensation committees Establishes Board-driven agenda setting Reinforces internal controls, accounting procedures, and investor relations and disclosure structures</p>		
Fiscal 2018	<p>Sets director terms at one year Terminates management advisory system Introduces two-tiered evaluation setup for CEO and directors</p>	<p>Established process for appointing, dismissing, and evaluating CEO</p>	<ul style="list-style-type: none"> • Launched two-phase CEO evaluation system (deciding on whether to retain and evaluating performance) • Evaluating CEO in that person's absence • Encouraging management improvements by feeding back findings to CEO • Ensuring transparent evaluation and supervision of suitability for continuation by reporting to Board of Directors
Fiscal 2019	<p>Establishes Governance Review Meeting Annually assesses institutional design and Board of Directors composition Deploys stock-linked compensation plan Strengthens independence in choosing prospective auditors</p>		
Fiscal 2020	<p>Revises director bonus formula <small>(adopts return on capital and ESG indicators)</small> Reinforces succession plans</p>	<p>Strengthened succession plans</p>	<ul style="list-style-type: none"> • Systematically and intensively discussing deliberation next generation of prospective executives, including for key position successions • Confirming performances of executive officers in line with business unit setup • Providing objective external assessments and training
Fiscal 2021	<p>Steps up ROIC-based business portfolio management Assesses senior management performances Observes outside auditor participation in Nomination and Compensation committee meetings</p>		
Fiscal 2022	<p>Reviews governance structure <small>(Changes composition of Board of Directors so majority of members are outside directors, makes Chairperson of that body an outside director, and sets up lead independent director position)</small> Creates Board culture Sets up Outside Directors Meetings Revises base compensation and bonus formula for directors <small>(for job grade compensation and target achievement)</small></p>		

- I would also like to discuss Nomination Committee reforms today.
- We believe that we take a progressive approach to CEO appointment and dismissal at Ricoh. Our management restructuring in 2017 led us to build rigorous processes from outside director perspectives.
- No matter how good your strategies, corporate change depends much on what top managements do. To enhance corporate value sustainably, it is vital for us to appropriately evaluate, appoint, and dismiss the CEO through an orderly, timely process.
- It was against that backdrop that we reconstituted the Nomination Committee and adopted a two-phase CEO evaluation setup.
- In the first evaluation each fall, the committee discusses whether or not to retain the CEO. That person leaves the meeting so outside directors can deliberate.
- At fiscal year-end, the committee makes a second evaluation based on objective data from three perspectives. These are performance, total shareholder returns and other shareholder and capital market factors, and ESG and other non-financial considerations.
- The committee feeds back its findings to the CEO after clarifying issues, thereafter reporting to the Board of Directors. These thorough CEO evaluations aim to qualitatively reinforce management as part of a Plan-Do-Check-Act cycle.
- CEO succession planning is another important role for the Nomination Committee.
- At Ricoh, CEO succession planning had become an executive matter and was poorly planned, so we increased the Nomination Committee's involvement. We broadened the candidate scope to include future executives, initiating an external assessment process and following up outside director-led deliberations that are fair and objective. With the adoption of a business unit structure, we began confirming the performance evaluations of executives and the results and qualities of future leaders.

More thoroughly monitoring contingency plans

- Monitoring and supporting business execution to combat pandemic, geopolitical, and other risks

Enhancing post-pandemic prospect discussions

- Stepping up varying management capital deliberations for drive to become digital services company
- Supporting growth strategies (through acquisitions and collaboration)
- Switching significantly from gradualist to backcast-driven mid-term management plan formulation approach
- Employing capital policy that balances growth investments and shareholder returns
- Launching ROIC-based portfolio management

The Board and governance in times of volatility, uncertainty, complexity, and ambiguity

- Strengthening supervision and enhancing deliberations through wide-ranging expertise
 - Having outside directors constitute majorities on Board of Directors and committees
 - Having outside director chair Board of Directors
 - Adopting lead independent directorships
- Setting up Outside Executive Meetings
- Establishing Board culture (basic decisions and actions on Spirit of Three Loves)

Ricoh Board Culture

1. Honor the **Spirit of Three Loves**, engaging with and **respecting the interests** of shareholders, customers, employees, partner companies, communities and society, and other **stakeholders** while overseeing management strategies and plans that help **resolve social issues**.
2. **The chairperson shall objectively lead diverse and highly independent** Board members in engaging and constructive deliberations that **value a diversity of open and free viewpoints**. **Management shall faithfully reflect** the results of deliberations.
3. Board members shall understand their social responsibilities, **make robust decisions for the future**, and oversee management's implementation of decisions, so Ricoh can **enhance medium- and long-term corporate value** by delivering **exceptional business growth, capital profitability, and ESG performances**.

4

- The COVID-19 pandemic and geopolitical risks have transformed the operating climate. The Board of Directors must therefore act preemptively instead of simply awaiting executive reports. During challenging times, we must closely monitor and support executive actions. We invite business unit heads to attend performance-related deliberations, providing strict guidelines on progress and response measures.
- At the same time, it is important for the Board of Directors to remember that discussions about human resources, technology, and other future capital components tend to fall by the wayside during emergencies. We thus simultaneously stepped up deliberations about future capital to ensure that Ricoh can achieve faster post-pandemic growth than other companies.
- We overhauled the process of formulating the mid-term management plan to tackle even more uncertain business environments. Ricoh used to formulate that plan as a gradualist extension of the prevailing one. From the 20th Mid-Term Management Plan, we switched to backcasting from our long-term vision to factor in social changes and stakeholder expectations.
- In discussing specifics, we encouraged management to become more conscious of corporate value. As well as transforming our business structure through ROIC-based portfolio management, we have enhanced discussions about capital policy. Examples include exploring an optimal capital structure and how best to balance growth investments and shareholder returns.
- Outside directors have played important roles in such improvements.
- Things are becoming increasingly uncertain, posing even greater challenges for management. It is accordingly essential to manage from medium through long-term perspectives in line with the expectations of shareholders and investors.
- I mentioned at the outset of this presentation that we appointed a non-executive director as chairperson of the Board during our management transition. In view of a need to strengthen oversight from shareholder perspectives, this fiscal year we switched to appointing an outside director as chairperson and installed a lead independent director. On top of that, we established Outside Executive Meetings to share awareness of Ricoh's issues from external perspectives and exchange views.
- While its members may change, the Board of Directors is an enduring institution that meets its responsibilities to shareholders. Decisions today will shape tomorrow. We discuss the values that Ricoh should treasure to grow over the medium through long terms even if the business climate and structure change, and created a board culture based on the Spirit of Three Loves.

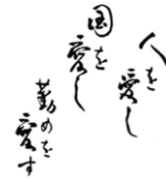
Challenges

- Improve corporate value
- Materialize business digital transformation in drive to become digital services company
- Steadily undertake growth investments (through acquisitions and collaboration)
- Supervise and make decisions for times of volatility, uncertainty, complexity, and ambiguity
- Pursue advanced global risk management
- Build resilient supply chain

Direction

- Further diversify membership of Board of Director and bolster skill set
- Make the right decisions and oversight to tackle social and economic changes and become a digital services company
- Keep reinforcing succession planning for future generations of management
- As lead independent director, communicate more with chairperson of the Board, management, and stakeholders

The Spirit of Three Loves
Love your neighbor, Love your country, Love your work



Materialize Three Ps Balance



5

- Finally, I would like to discuss what I consider my challenges as the lead independent director.
- Ricoh is changing. As a digital services company, it must accelerate its growth strategy by materializing the value its business units provide. We will continue to push for good business execution so Ricoh can accomplish its transformation and meet shareholders' business performance and corporate value expectations.
- While developing new businesses, Ricoh must manage global risks to address new risks and build a resilient supply chain. Outside directors will lead the way in continuing to provide strong supervision.
- While there are other issues to consider, I will touch on the future.
- The Board of Directors needs to be more diverse and bolster its skill set to avoid a situation in which having outside members as a majority is not a mere formality. I believe that making the Board more responsive to Ricoh's direction and business environment will lead to more sophisticated decision-making and oversight.
- CEO succession planning is both tough and the most important issue for any company. We must keep strengthening the selection and training of future leaders.
- The world is moving dynamically. Ricoh is changing. The Board of Directors is responsible to shareholders. Outside directors play an increasingly important role on that body.
- As the lead independent director, I will keep close tabs on developments everywhere and collaborate with the chairperson and other directors to ensure oversight from shareholder perspectives. I also seek to enhance engagement with shareholders, employees, and other stakeholders, reflecting those efforts in management.
- Finally, I admire Ricoh's founding principles, the Spirit of Three Loves. I am convinced that Ricoh will remain vital for society and keep improving its corporate value if we all pursue the Three Ps Balance in keeping with the Spirit of Three Loves.
- Thank you very much for your time and attention.

RICOH
imagine. change.