

**Initiatives  
to Enhance  
Returns on  
Capital**

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- Today, I will explain our initiatives to enhance returns on capital.

## Simultaneously deploy growth strategies, enhance returns on capital, and reform governance

### Growth strategies deployment

Implement RICOH Ignite growth strategies, reaching targets for FY2022 and generating sustainable growth thereafter

### Enhance returns on capital

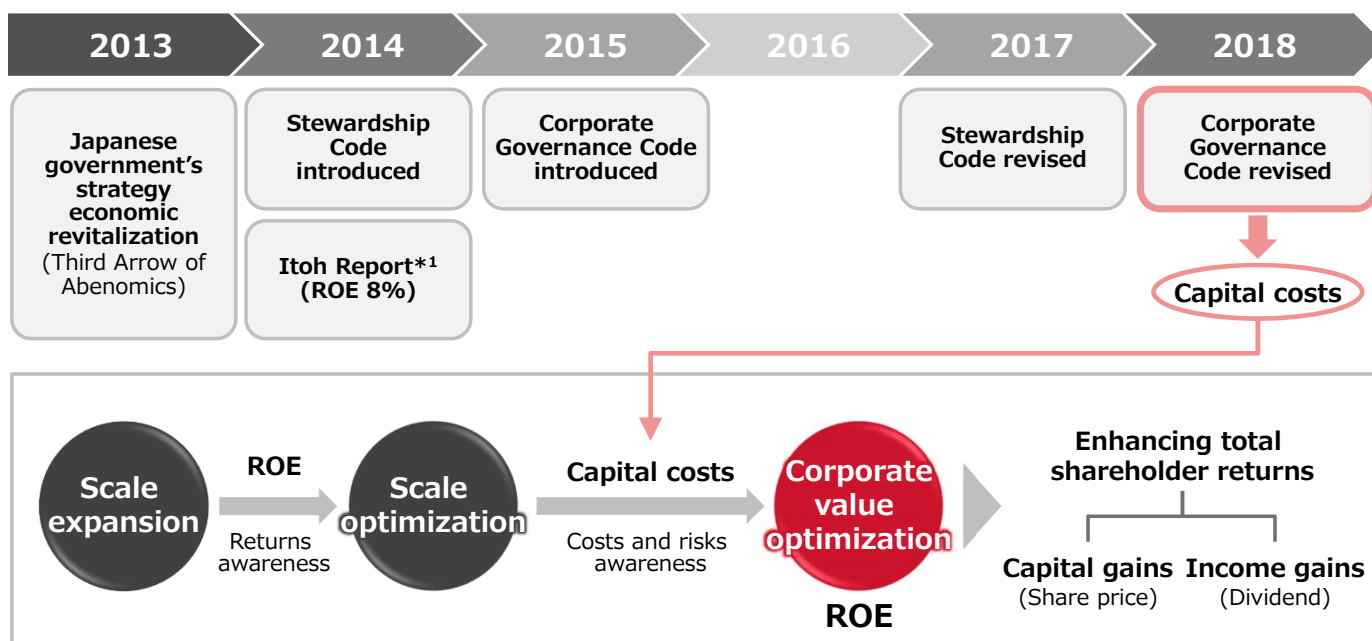
Enhance returns on capital and materialize growth strategies by deploying appropriate capital policies and investments

### Corporate governance reforms

Driving growth strategies by properly evaluated and incentivized corporate governance system

- I will show you the page that Mr. Yamashita presented a little while ago.
- Last year, we embarked on a project under his control in which we embarked on an initiative to make management more capital-conscious.

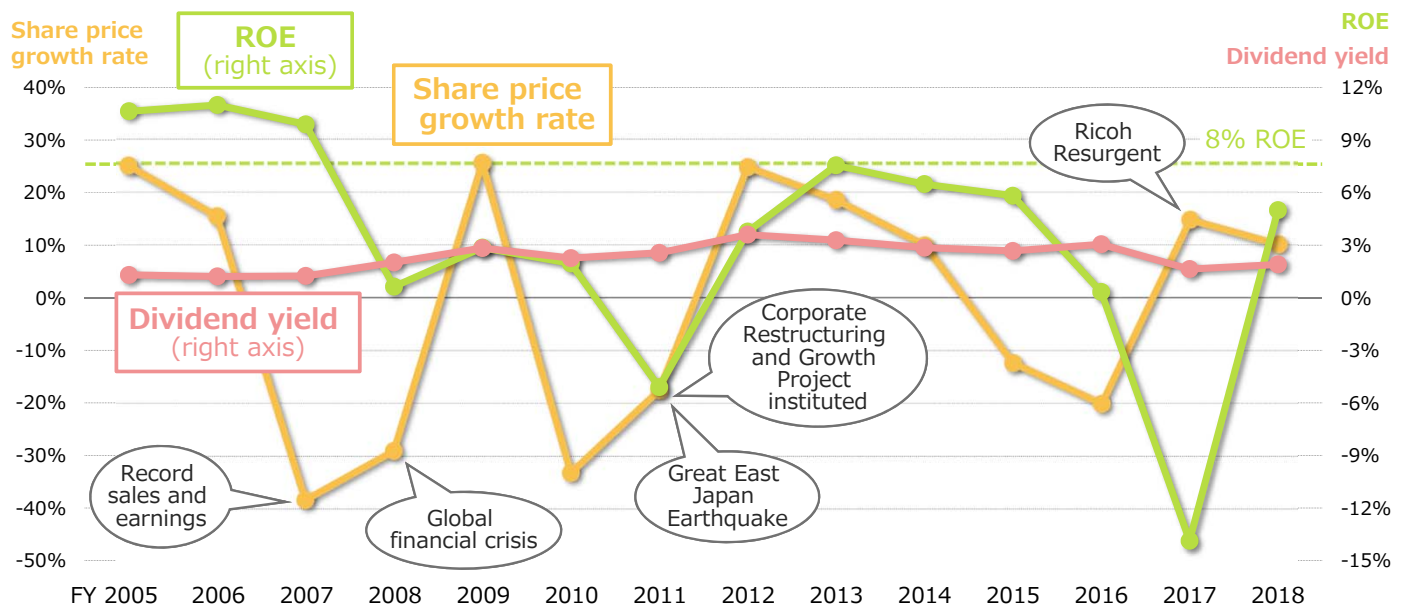
# Changing Corporate Value Improvement Perspectives



\*1: Japan's Ministry of Economy, Trade and Industry commissioned Professor Kunio Ito of Hitotsubashi University to chair the following project: Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors, with the final report being called the Ito Report.

- I will briefly background this initiative. As I am sure you know, perspectives on enhancing corporate value have changed.
- The Japanese government rolled out the Stewardship and Corporate Governance codes after formulating its Japan Revitalization Strategy in 2013.
- The Corporate Governance Code was revised last year. Among the changes was a new guideline on management's giving due consideration to the cost of capital.
- The idea is for managements to remain aware of costs and risks while endeavoring to enhance returns on equity and optimize corporate value.
- This translates into boosting capital and income gains and thereby enhancing total shareholder returns.

## We will need to overhaul our earnings and business structures



Note: FY2018 figures are forecasts

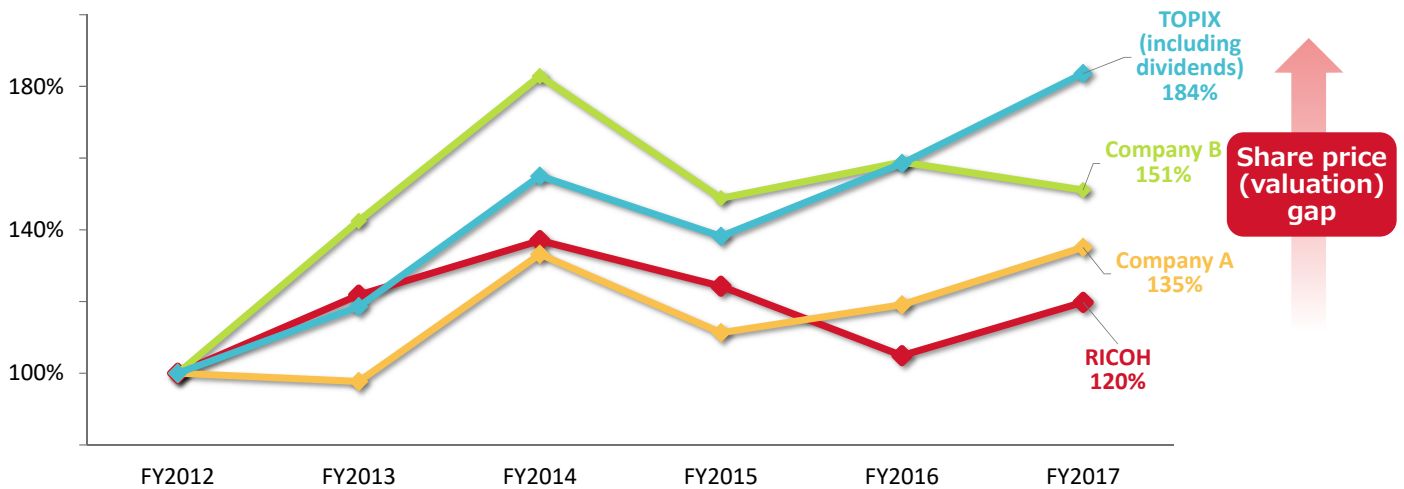
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- The second backdrop to our initiative was how the capital markets see Ricoh.
- While our dividend yield has been stable, our ROE and share price growth rates have been high volatility.
- Our ROE declined in FY2017 after we posted significant losses as a result of structural reforms and efforts to optimize assets, including by posting impairment losses.
- You will note that our share price has risen somewhat recently.
- I believe that we have to transform our earnings structure to stabilize the volatility we have experienced.

# Total Shareholder Return

Improve evaluation from investors and eliminate valuation gap through management focusing on returns on capital

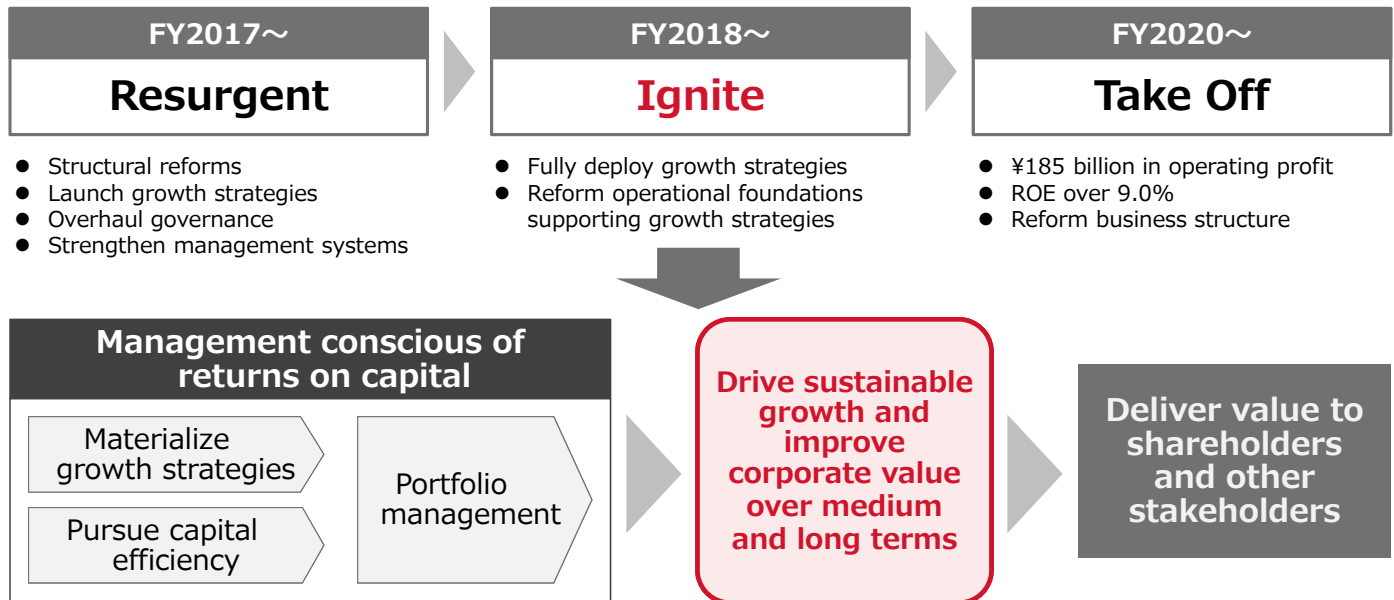
Total shareholder return (Accumulated dividends over years one through five)



- The third backdrop element I want to cover is our total shareholder return.
- There is a gap between the valuation of our stock and TOPIX and benchmarks of other companies.
- In that respect, management must endeavor to improve our evaluation among investors and eliminate our overall market gap by focusing on returns on capital.

# Management that Pursues Sustainable Growth and Lifts Corporate Value over the Medium and Long Terms

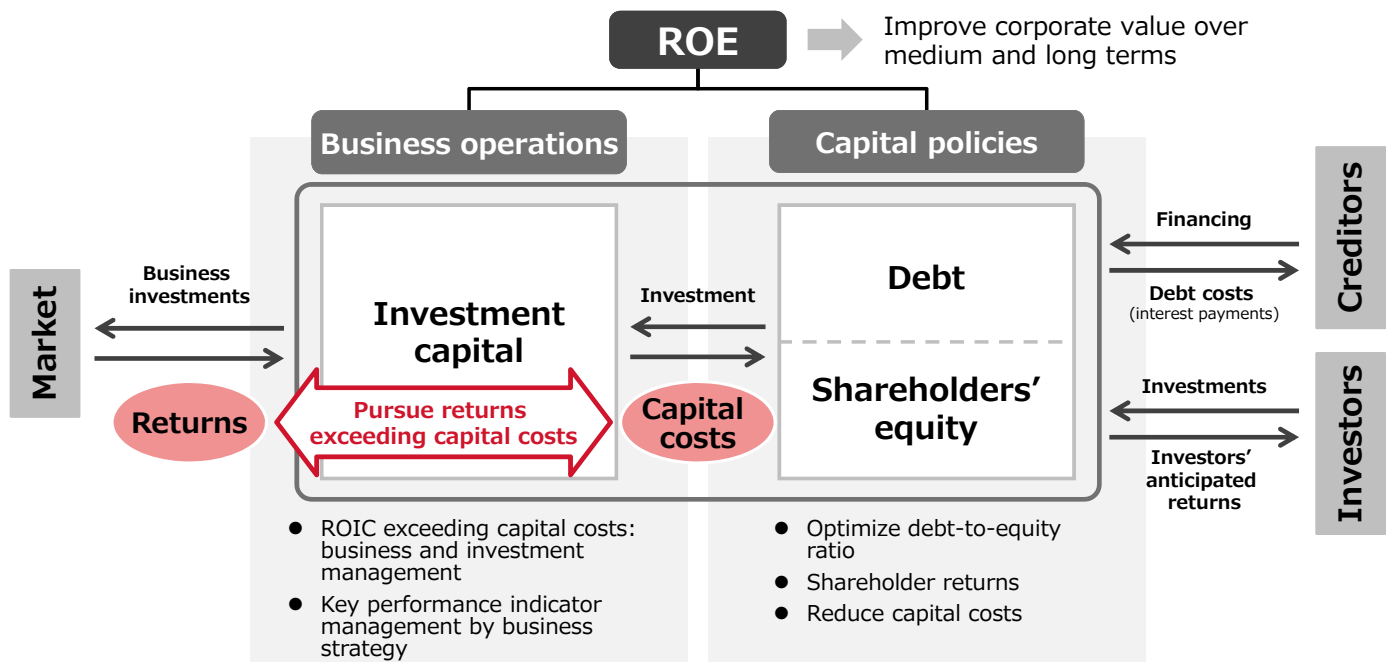
Need to make more robust investment and business portfolio management in fully pursuing growth strategies with conscious of returns on capital



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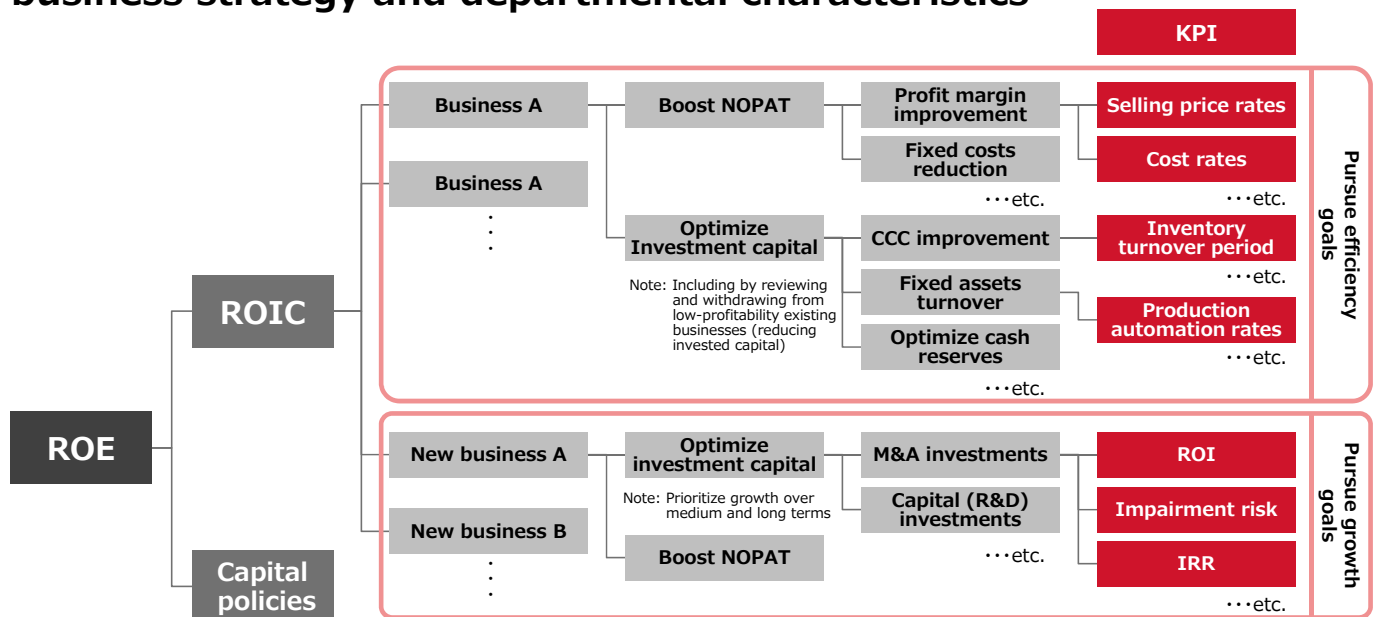
- We have fully deployed growth strategies to drive sustainable expansion and lift corporate value over the medium and long terms. We will cultivate numerous growth businesses.
- We need to thoroughly manage investment and business portfolios in a range of fields.
- We believe that having management keep close tabs on shareholders' equity and returns on capital will enable us to deliver sustainable growth and improve medium- and long-term corporate value, thereby lifting returns to shareholders and other stakeholders.

# Returns on Capital-Centric Business Operations and Capital Policies



- This page shows where specific efforts are heading.
- Over the years, our ROE approach has been to focus on improving corporate value over the medium and long terms. We will progress based on properly defined business operations and capital policies.
- On the business management front, we will manage investments by deploying ROIC requirements for each business and business unit KPI management to contribute to operational profitability.
- Our capital policy is to optimize our interest-bearing debt and shareholders' equity structure.
- At the same time, we seek to generate shareholder returns including consistent dividends.

## Deploying using ROIC tree in line with business strategy and departmental characteristics

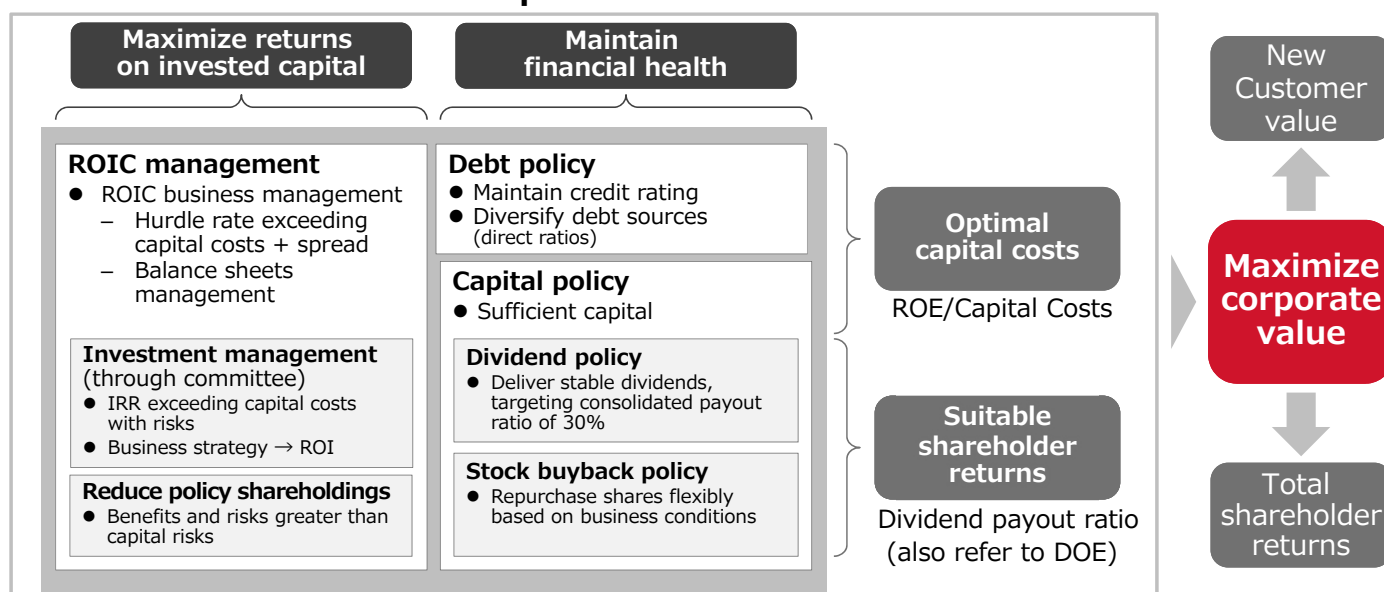


- We look to expand our ROIC tree in line with business strategy and departmental characteristics.
- The application of ROIC extends to businesses and regions. Existing, growth, and new businesses inherently differ inherently, so we will manage them with different KPIs.
- We also want to use meaningful KPIs linked to activities in the field while also benchmarking top companies.
- For existing businesses, management encompasses such elements as prices, cost rates, and inventory turnover rates. We will maintain and more tightly manage such indicators.
- KPIs for new businesses will include return on investment, impairment risks, and internal rates of return.



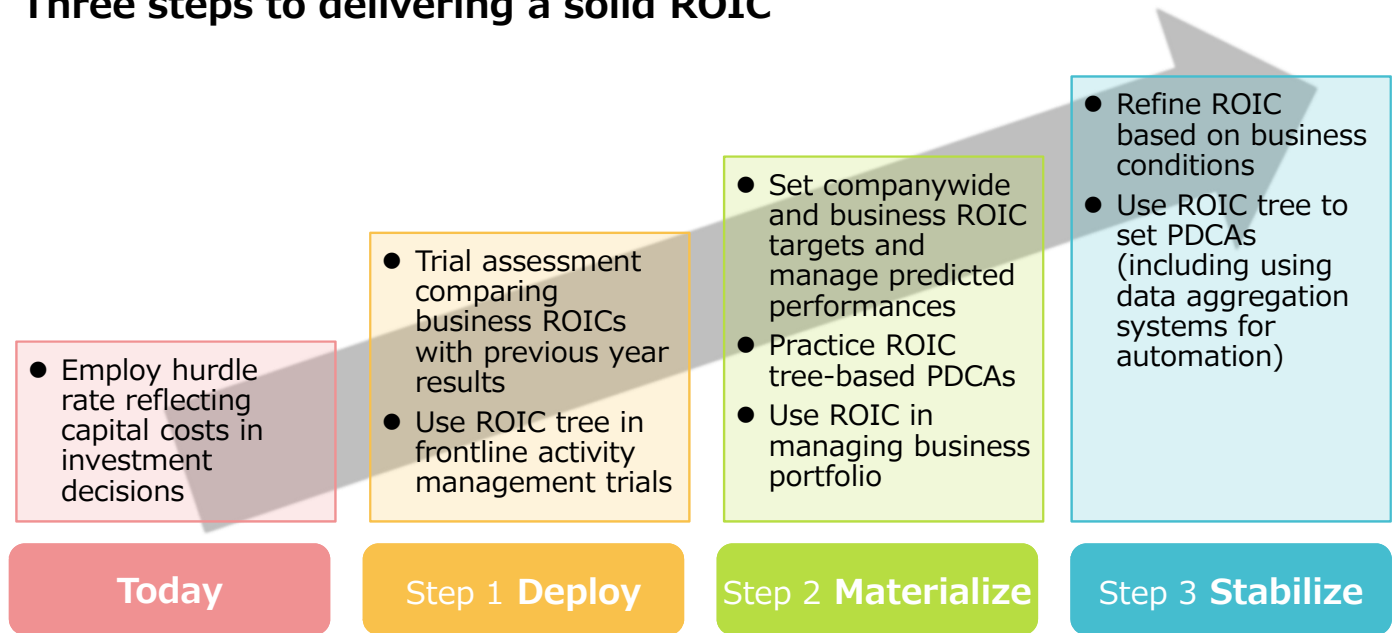
# Capital Policies Map

Keep tabs on capital costs and financial health while maximizing investment returns and corporate value



- This page maps our operational and capital policies. We aim to maximize investment returns and corporate value while paying due accord to capital costs and maintaining financial health.
- We will maximize ROIC through the ROIC and portfolio management efforts described earlier.
- The Investment Committee that we launched last year has begun looking at ROIs and managing the risks and opportunities of individual investments while keeping tabs on internal rates of return, discounted cash flows, and other benchmarks.
- We will continue our policy of reducing holdings, notably of companies that do not deliver returns or whose performances contribute nothing to our results.
- We have halved our cross-shareholdings in recent years to 23 stocks. This level is very low among listed companies.
- We seek to diversify debt sources while maintaining our credit rating.
- We have endeavored to pursue stable dividends under our 19th Mid-Term Management Plan. We are switching to a policy of paying stable dividends, targeting a consolidated payout ratio of 30%.
- Our stock buyback policy is to repurchase shares flexibly based on business conditions. This should help us optimize capital costs and deliver suitable returns on equity, thereby maximizing corporate value improvements.

## Three steps to delivering a solid ROIC



- Here, you see our roadmap to deploying ROIC.
- Our Investment Committee currently employs such benchmarks as the hurdle rate and internal rates of return.
- This year, we are trialing business ROICs while using the ROIC in frontline activities.
- Our next step will be to manage performance by setting companywide goals, deploying business ROIC trees, and managing our business portfolio.s
- The step after that will be to set PDCAs while refining ROIC. That effort would also encompass automation through information technology.
- People often say that ROICs tend to have diminishing equilibriums. Still, we will keep tabs on business phase positionings while putting ROIC management in place in a way that works for Ricoh.
- In today's presentation, I presented some thoughts on challenges ahead of us, and we have much to decide. Nonetheless, I would appreciate your understanding of where we are heading.

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# Forward-Looking Statements

The plans, prospects, strategies and other statements, except for the historical events, mentioned in this material are forward-looking statements with respect to future events and business results. Those statements were made based on the judgment of Ricoh's Directors from the information that is now obtainable. Actual results may differ materially from those projected or implied in such forward-looking statements and from any historical trends. Please refrain from judging only from these forward-looking 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 could cause those results to differ materially from those expressed in the forward-looking statements:

- a. General economic conditions and business trend
- b. Exchange rates and their fluctuations
- c. Rapid technological innovation
- d. Uncertainty as to Ricoh's ability to continue to design, develop, produce and market products and services that achieve market acceptance in hot competitive market

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**Note: In this document, fiscal years are defined as follows:  
FY2018 = Fiscal year ended March 31, 2019, etc.**