

**RDS Business  
Briefing**

**Office  
Services  
Business**

**November 15, 2022**

**Akira Oyama**

**Director**

**Executive Corporate Officer**

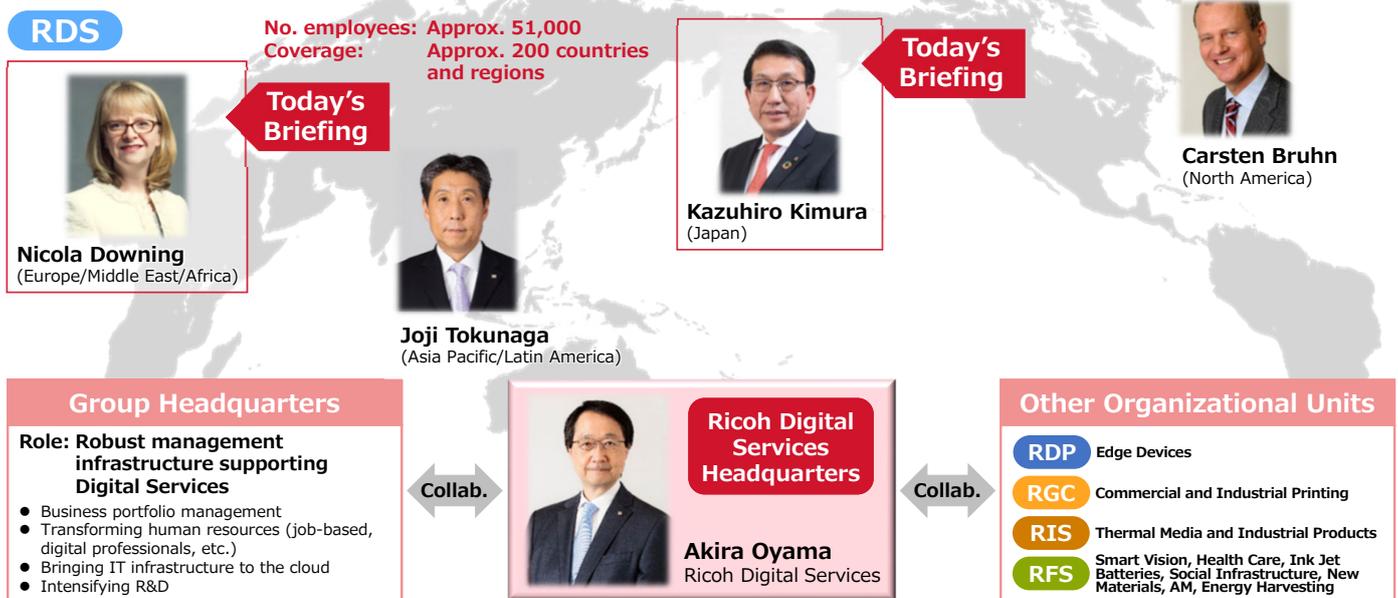
**President of Ricoh Digital Services Business Unit**

**Ricoh Company, Ltd.**

RICOH Digital Services

- Hello, everyone.
- Today, I will be giving you an update on our Office Services Business. First, I will introduce the progress we have made in our Mid-Term Management Plan and tell you about several of our typical initiatives, and then move on to what is happening in each regions.  
I hope the presentation is helpful and informative.

Transforming into a Digital Services Company through collaboration between the four global regions and headquarters



- First, I'd like to explain our current management structure.
- The Ricoh Digital Services Business Unit is developing sales and service support in approximately 200 countries and regions around the world under four regional management divisions: Japan, North America, Europe, and Asia Pacific & Latin America.
- Since the introduction of our business unit structure in April 2021, we have been collaborating with our Group headquarters and other Business Units to transform ourselves into a digital services company.
- Two new regional general managers were appointed in April 2022. Ms. Nicola Downing will handle Europe, including the Middle East and Africa, and Mr. Kazuhiro Kimura will handle Japan.
- Later today, Ms. Downing and Mr. Kimura will explain our initiatives in Europe and Japan, which are of high importance on sales in our Office Services Business.

## Progress delayed due to semiconductor shortage

	FY2022 Target	FY2022 H1
<b>Office Services Business Operating Profit Growth (from FY2020)</b>	<b>+27.2 billion yen</b>	<b>+11.8 billion yen</b>

### Looking Back

Japan: Affected by shortage of IT products (esp. negative in Q1)  
On track for recovery in Q2 due to improvement in PC supply and strengthening of monthly back-office

Europe: Performance grew steadily for both acquisitions and sales companies

### Future Outlook

Japan: Need to strengthen solutions for revisions on Law on Preserving Electronic Records, Invoice System, etc. as market needs increase and in order to minimize impact of semiconductor shortages

Global: Create synergy with acquired companies and accelerate global deals

### Office Services Business Operating Profit Growth

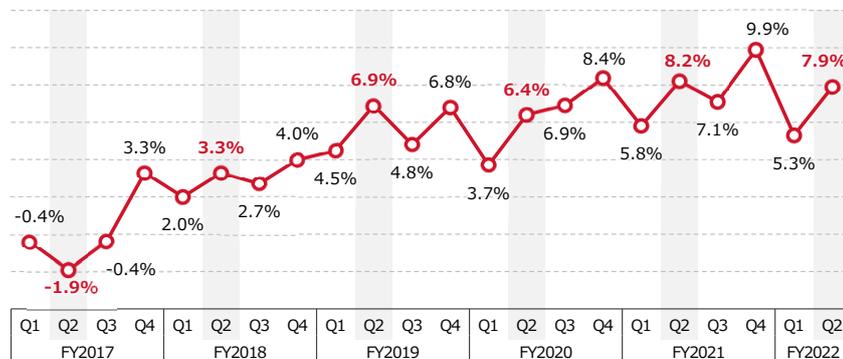
Billions of Yen	FY2022 Target	FY2022 H1	Rate of Progress	
Japan	+9.6	+1.0	11%	Q1 cumulative total -0.1 bn yen due semiconductor shortages +1.0 bn yen rebound in Q2
Europe	+9.9	+8.3	84%	
Other	+7.6	+2.5	32%	
<b>Total</b>	<b>+27.2</b>	<b>+11.8</b>	<b>43%</b>	

- Next, I will explain the progress made in achieving the goals of the 20th Mid-Term Management Plan.
- Our operating profit target for the Office Services Business for fiscal 2022 was to increase by 27.2 billion yen compared to fiscal 2020. For the first half of fiscal 2022, we are up 11.8 billion yen, which comes out to a progress rate of 43%.
- In terms of regional breakdown, Japan's progress rate is at 11%, so there is a gap between that and our plan. The loss of sales opportunities caused by shortages in IT products such as PCs, servers, and network equipment resulted in a 100 million yen year-on-year drop in profit for the first quarter. Although an increase in profit of 1 billion yen in the second quarter, we were unable to recover the unachieved portion.
- However, in Europe, both acquired and existing sales companies steadily increased their performance, with an excellent plan progress rate of 84%.
- Our biggest concern is the impact of IT product shortages, but the PC supply situation is currently showing signs of improvement. That said, we expect other products to remain affected into the second half of fiscal 2022 and beyond. To minimize the impact of such shortages, in Japan, we will focus more strongly on developing solutions that respond to the revisions to the Law on Preserving Electronic Records, the new Invoice System, and other factors, and we expect this to expand business opportunities moving forward. Of course, we will continue our efforts to strengthen our business performance in Europe and the Americas to boost operating profit.

## Steady growth in recurring revenue ratio target

	FY2022 Target	FY2022 H1
<b>Office Services Recurring Revenue Ratio</b>	<b>45%</b>	<b>44.1%</b>

### Office Services Business Operating Margin (Excluding Transient Factors)



**Data from November 4, 2022 Q2 Results Briefing Material** (Repost): Double-digit growth aside from IT infrastructure due to semiconductor shortage

Sales (Billions of Yen)	FY2022 H1	YoY Change
<b>Office Services Business</b>	<b>304.9</b>	<b>+11.9%</b>
IT infrastructure (hardware and software)	106.4	+2.2%
IT services (including maintenance and outsourcing)	66.6	+14.5%
Applications (business-specific and in-house apps)	56.1	+10.4%
Business Process Services (including customer output center outsourcing)	58.7	+23.3%
Other	16.9	+46.3%

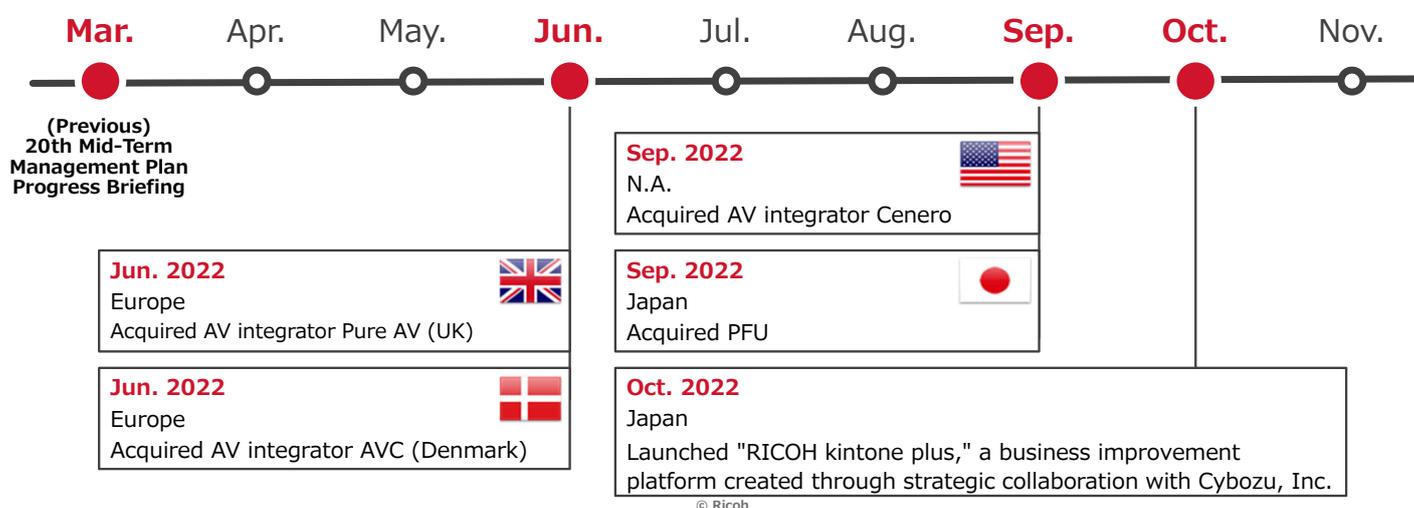
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- Next, we will look at our recurring revenue ratio in our Office Services Business.
- This figure has increased to 44.1% as of September 30, 2022, compared to our fiscal 2022 target of 45%, so we consider this to be good growth.
- To mitigate the impact of shortages in ICT products, we are shifting our sales strategies in each region toward cloud computing and software. We are already seeing some results here, which I believe will be reflected in our future performance.
- The operating margin graph shows the data we disclosed at our results briefing for the second quarter of fiscal 2022. Our operating margin did decrease slightly year-on-year due to ICT product shortages, increased labor costs in North America, and other factors. The second quarter narrowed the gap from the first quarter, and we are seeing a gradual trend toward recovery.

## Effective progress in preparations for the future

1. Expanding proprietary software portfolio to grow business in digital process areas (for SMBs)
2. Aggressive M&A investment to grow Office Services Business in Europe/North America/Japan

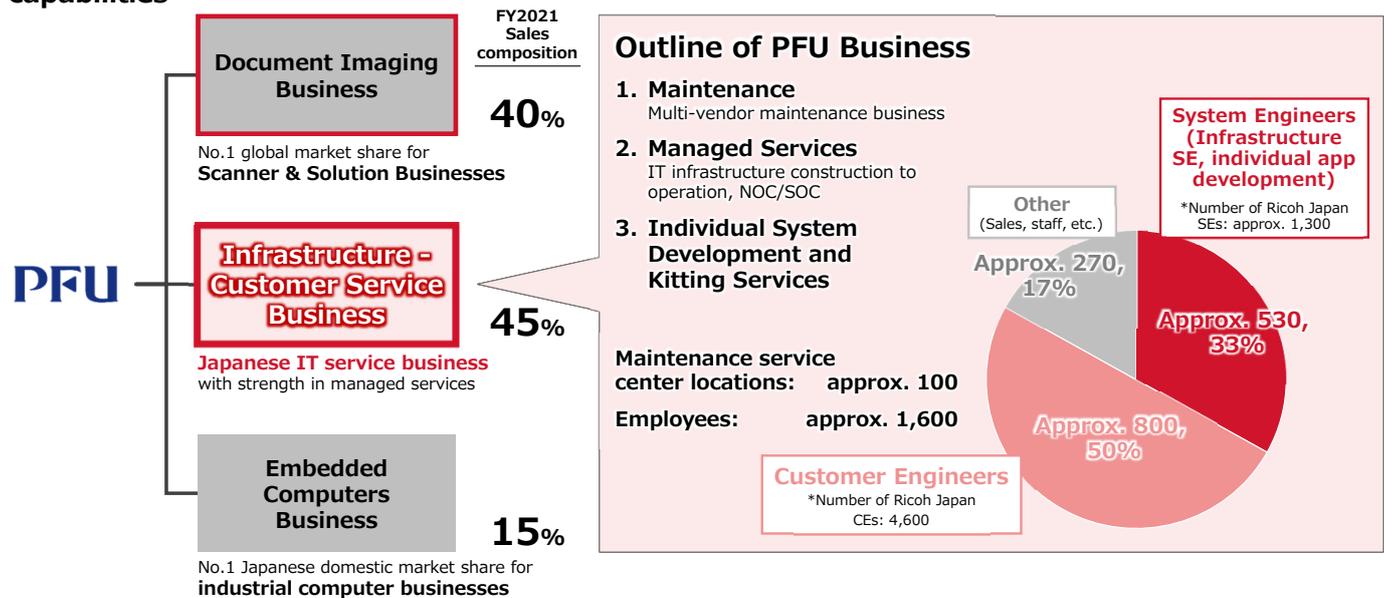


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- About eight months have passed since we held our Mid-Term Management Plan Progress Briefing in March 2022. In that time, we are steadily making progress in preparing for the expansion of our Office Services Business in the future. The first concrete achievement includes expanding our proprietary software portfolio in digital process areas and enhancing regional coverage and service provision capabilities through M&A.
- As we announced in a press release on October 18, 2022, we started offering RICOH kintone plus, which was created through a collaboration with Cybozu, with the rollout starting first in Japan. Since announcing the collaboration in April, we completed the product development, personnel training, support system construction, and more, which allowed us to launch the product in a very short period of time.
- We believe that RICOH kintone plus will be the leading solution for supporting digital transformations in small to medium-sized businesses and will drive Ricoh Japan's Office Services Business into the future. Although we are starting with the Japanese market, preparations are already underway to begin sales in North America in fiscal 2022, followed by a progressive expansion into the European market.
- The second achievement is that we have increased our capability through aggressive investments in three regions, namely Europe, North America, and Japan.
- In 2022, we acquired three AV integrators in Europe and North America that handle conferencing solutions and other products. There is strong customer demand for new ways to work following the Covid-19 pandemic, including hybrid work, so we expect there to be even more business opportunities in the future. This is therefore an excellent time to strengthen our capabilities in the area of communications services. In Japan, we also welcomed PFU as a group company in September 2022.
- In the midst of global competition for digital professionals, we believe that our ability to secure the capabilities we need from outside the company will be a major boost to future business growth.

## Increasing digital transformation/technical staff in Japan and strengthening service integrator capabilities



- Here, I will introduce two topics from the update I gave on our Office Services business on page 4.
- One of these is PFU, which became a consolidated subsidiary in September 2022.
- PFU owns three main businesses: the Document Imaging business, represented by the world's number one market share in scanners; the Infrastructure Customer Service business, which serves the Japanese domestic market; and the Embedded Computer business.
- We believe that the Document Imaging business can contribute to the expansion of Ricoh's digital services, centered on scanners that are popular with customers around the world.
- The Infrastructure Customer Service business corresponds to Ricoh's Office Services business. Its size slightly exceeds that of the Document Imaging business in terms of the sales composition for fiscal 2021. The business offers multi-vendor maintenance, managed services covering everything from building to operating IT infrastructure, and more.
- PFU's strength lies in its large number of highly-skilled system engineers, including infrastructure system engineers and individual application developers. Ricoh Japan is also developing personnel and shifting resources toward our goal of transforming into a digital services company, and adding PFU to our ranks enabled us to increase the number of engineers we have in Japan by about 530 at once.
- We are undertaking a synergy study project with members selected from PFU, Ricoh Digital Services Business Unit, and Ricoh Japan. Beyond simply exchanging personnel, we are looking at other strategies for expanding the Office Services business, including utilizing assets such as maintenance service centers, security operation centers, and more owned by PFU. These efforts are definitely something to look forward to.

## Digitalization of Managed Services brings “offense-based” shift in North American strategy for Office Services business

### North American Office Services Business

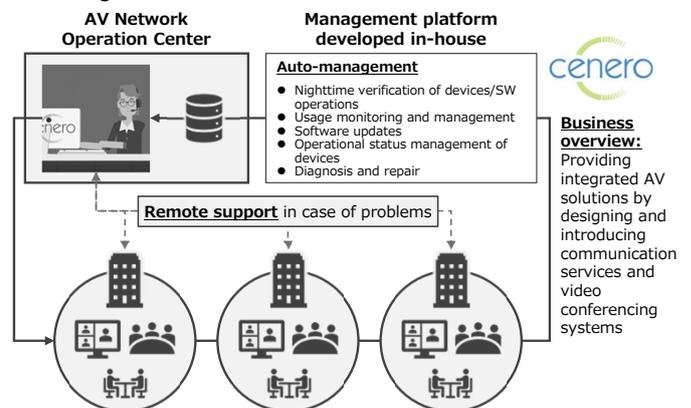
- Mainly direct sales BPS business\*1
  - ➔ BPS/MFP customer base accounts for approx. 70% of the total, **mainly mega (FG 500) and major corporate customers**
- Conventional BPS business, mainly services sending workers from Ricoh to company sites, such as centralized copy centers and mailroom operations
  - ➔ **Digitalization to add value and further improve convenience** (AI utilization, workflow automation, implementation in the cloud)
- Making finance, healthcare, and retail priority industries

Aiming to expand business by increasing personnel familiar with industry workflows and **expanding digital services around existing BPS business** while leveraging strength of a solid customer base

\*1 : BPS: Business Process Service

### Inorganic Growth (Cenero Acquisition)

- Strengthen business in **communication services - high demand among mega and major corporate customers**
- **Accelerate digitalization in U.S. and globally** by leveraging capabilities & technology of acquired AV integrators



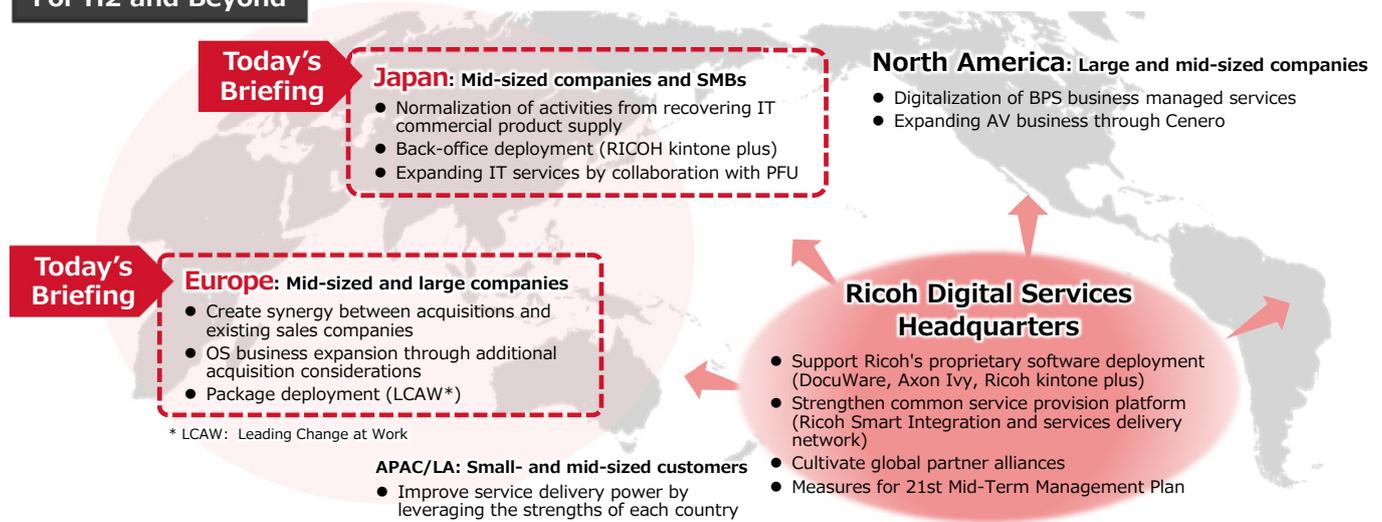
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- The other topic I want to discuss is the development of our Office Services business in the North American market.
- In terms of Office Services business sales, North America is our third largest region, after Japan and Europe.
- Business Process Services (BPS) is strong in business outsourcing, and major corporations make up 70% of our customers in this area. BPS also provides services which send workers from Ricoh to customer sites, including centralized print centers, mailroom operations, and more, and currently operates at approximately 1,800 customer locations in the United States. These are highly regarded by our customers and have a very strong customer base.
- Currently, we are transforming such BPS businesses into high value-added services through digitization and constructing new digital workflows. To that end, we are training and acquiring industry specialists capable of providing a more advanced level of services to our customers.
- We also acquired AV integrator Cenero in September 2022. Cenero’s strength lies in its AV network operation center and capability to provide high-quality customer support remotely.
- Most recently, post-pandemic trends have led to a growing need for AV equipment and conferencing solutions that accommodate hybrid workstyles, especially among major corporations. We will take full advantage of Cenero’s capabilities to continue to provide outsourcing and managed services in the area of communication services to the major corporate customers using Ricoh’s BPS. We also hope to secure increasing business opportunities globally by strengthening cooperation with Europe, which leads our divisions in acquiring AV integrators.

**FY2025 Maintain mid- to long-term target of a digital service sales ratio of 60%+**  
 Continue helping grow client businesses by providing digital services that solve problems for working people and build connections between offices and frontline sites

For H2 and Beyond



- That's the update and the report of the Office Services Business. Thank you very much for your kind attention.
- I would like to talk about the mid- and long-term digital services sales ratio. As I mentioned earlier, we are making good progress in transforming and preparing for the future by strengthening our business portfolio, executing our acquisition strategy, strengthening our human capital investment, including reskilling, and more. We therefore will proceed with our targets for fiscal 2025 without any changes.
- Under the 21st Mid-Term Management Strategy, the Office Services will surpass the Office Printing and grow to become Ricoh's core business. All Ricoh Digital Services business unit members in each region and Group headquarters will focus their efforts together to ensure that our customers' businesses will continue to grow through the power of digital technology.
- This concludes my report on our Office Services business as a whole. Thank you for your attention.



## Japan and Europe Sections



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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. (See: "Business and Other Risks," <http://jp.ricoh.com/IR/risk.html>)

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**Note: These materials define fiscal years as:**

FY 2022 (or fiscal 2022) = Fiscal year ended March 31, 2023, etc.