

## Dramatic changes in the operating climate present opportunities to transform workplaces.



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President and CEO

I wish to express my deepest condolences to those who have lost loved ones due to the COVID-19 pandemic that emerged toward the end of 2019. I fervently hope for swift recoveries of all who have become ill or have otherwise suffered from the impact of this disease.

The broad impacts of expanding lockdowns and social distancing worldwide to stem infections have included shrinking economic activity and recessionary concerns. All those working on the frontlines of the battle against COVID-19 have our respect. I hope that the pandemic will abate and that recovery efforts progress. The Ricoh Group will do what it can to support such endeavors.

## Leveraging Ricoh's unique capabilities to deliver fulfillment through work

In the 19th Mid-Term Management Plan that I announced when taking the helm at Ricoh in 2017, I presented a scenario that showed we would become unprofitable if we continued to follow the same strategy. We set about urgently implementing structural reforms from the top down. We overhauled our cost structure during the first year of the plan, resolutely screened businesses, invested for the future, reformed our management systems, and reinforced corporate governance. We pushed ahead with our growth strategy from the second year while enhancing the profitability of our Office Printing and bringing the Office Services business into the black.

In light of our achievements, in formulating our 20th Mid-Term Management Plan, we employed backcasting because we were keenly aware that we will celebrate Ricoh's centennial in 2036 and build our foundations for another century. We anticipate that if evolutions in artificial intelligence, robotics, and other technologies further automate work, we should see the elimination of dirty, dangerous, and demeaning situations at production sites and the bother, tedium, and mistake aversion of office environments. That would empower shifts to more creative work and lead to more fulfillment than ever. Ricoh is uniquely positioned to contribute to such progress, given that it has done so much to improve customer efficiency and productivity since helping pioneer office automation in the 1970s.

We engaged in extensive discussions in-house about the value we could deliver by 2030, heading toward our centennial. In keeping with our conclusions, we formulated our 20th Mid-Term Management Plan, covering fiscal 2020 through 2022, and began preparations to disclose it in March 2020. The COVID-19 pandemic broke out >1 before our announcement.

## Ricoh has to change more in a fast-changing world

The pandemic has transformed the social fabric. There are often movement restrictions, so many people must work effectively from home, and business processes are increasingly paperless. Thinking ahead to 2036, we expected work practices to change over the next three years or so, but the pandemic has made it impossible to project just a few months ahead.

I accordingly positioned fiscal 2020 as a year of emergency response while gearing up to attain the 20th Mid-Term Management Plan's objectives in just one year instead of three. I also look forward to undertaking the subsequent plan's tasks in 2021 and 2022 instead of 2023. In other words, we seek to implement six years' worth of efforts in just three years.

Slowdowns in economic activities and falling print volumes from customer's office closures are hitting Ricoh's operations hard. We understand we will not go back but instead be prepared for a "new normal." In predicting changes, we started restructuring our business in various ways, such as expanding our Office Services operations. In fiscal 2020, we will continue to grow out of being an office equipment manufacturer and transform to a digital services company. >2

The pandemic has affected individuals and medical institutions directly. There have also been significant socio-economic impacts. With people's movements restricted, nobody could have predicted the impact on the flows of money, goods, or information. You can always count on the certainty of uncertainty in circumstances like these. So, we will make a range of assumptions and push ahead with risk-management preparations and act swiftly as soon as an emergency arises. I believe that having a structure in place to respond flexibly to change instills confidence in managing processes.

### Refer to these pages

**1** Special Feature 1  
Emergency Response and  
Gearing Up:  
Ricoh's Responses to the  
COVID-19 pandemic  
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**2** Special Feature 2  
Emergency Response and  
Gearing Up:  
Transformation to a Digital  
Services Company  
P.27-32

In May 2019, we transferred the Chinese production of U.S. MFP models to Thailand for two months to reduce our vulnerability to Sino-American trade friction. This move proved effective because we had already reinforced business continuity planning as part of our global production strategy, manufacturing the same core models at multiple sites. While that production approach is more costly, such ongoing preparations enabled us to minimize the pandemic's impact and respond swiftly to change. These challenging times have driven home the importance of experiencing and understanding reality, working out what is going on and what happens next, and preparing.

We presented our outlook for fiscal 2020 when we announced our operating results for the first quarter of fiscal 2020 in August this year. Before that, we analyzed our assumptions for MFP print volume recovery in key countries by amassing a range of data and feedback that our engineers obtained from visiting customer sites. In light of the findings, a team of executives assessed measures for the future and engaged in deliberations that included outside directors. At the same time, as the results announcement, we were able to present our emergency response and accelerated initiatives to generate ¥70 billion in earnings.

It will be vital for Ricoh to create new business approaches that accommodate workplaces and people rapidly. While Ricoh has to overcome tremendous challenges as a company, I am confident that our actions now will put us in good stead for tomorrow. We will do our utmost companywide to progress.

### We will standardize new work practices for new times

The pandemic has transformed work. I myself began teleworking. From April through May 2020, I was at the office for just four days. Since then, I have worked from home two days a week and at

headquarters for two days, spending one day visiting one of Ricoh's facilities around Tokyo.

We decided in view of our experience to make teleworking a standard business practice because living with COVID-19 would become the norm. We are optimizing mixes of working at the office and from home in line with job requirements rather than across the board to ensure that all employees can work as flexibly and efficiently as possible. We issued guidelines for Ricoh Group companies within Japan on creating new work setups.

It is also worth noting that we conduct management meetings and report sessions remotely, and I sense the business is running faster. Once upon a time, I would often have to ask people to wait two weeks to give me a 30-minute report because of my workload or a business trip. If you are teleworking, you can handle things as soon as you have made the time or increase reporting frequency. The same thing is happening among operational managers, and I get the impression that our entire business is becoming speedier. There are no seats in teleconferences, and the names of people speaking become prominent, not their titles. Such a situation seems to be leveling the playing field for deliberations.

That said, it is hard to convey passion from a distance. In the years ahead, it will become more valuable for people to deal with each other face to face as their work becomes less task-based and more creative. When that happens, the positioning of offices and communications will also change. Ricoh's mission as a digital services company will be to tackle the challenges of change and deliver our practical experience to customers.

Teleworking has also profoundly affected managers. That is because they have to assign the right jobs to people who are not right in front of them and help them get things done. Therefore, I believe that it will become important to trust those working remotely rather than fret about them.

So, the pandemic has highlighted a number of problems and posed some key questions about redefining work, lifestyles, and societies for the



better. This crisis has also been an opportunity to reflect on what we have taken for granted.

I am confident that being able to work when and where we need and sharing insights with customers will enable us to materialize our vision for 2036 of Fulfillment through Work.

### Setting goals for resolving global issues and problems with society

Recent years have seen demand rise for ESG initiatives and contributions to the Sustainable Development Goals.

Ricoh has endeavored since its establishment to resolve social issues through business so it could drive its own growth and materialize sustainable economies. In keeping with that approach and meeting stakeholder expectations, we identified the Ricoh Group's material issues.

From fiscal 2020, we identified seven material issues in resolving social issues through business and strengthening our management

infrastructure. We set 14 ESG targets >1 linked to each issue. Financial and ESG goals are inseparable. We will attain them by making them integral to our management and business strategies. Based on that stance, from fiscal 2020, we revised the formula for bonuses to hold directors and executive officers responsible for reaching ESG benchmarks. >2 We are educating employees to become aware of how their tasks relate to Sustainable Development Goals. Empowering our employees to discuss how their work benefits customers, society, and the environment will instill pride and give a sense of fulfillment to employee families and others.

One material issue is to decarbonize the economy. We accordingly revised our 2030 target for reducing greenhouse gas emissions in keeping with an international goal of limiting global warming to 1.5°C above pre-industrial levels. In 2022, we seek to reach our target by lowering our emissions by 30% from our 2015 levels.

Driving an economic recovery in a world living with COVID-19 will also necessitate a green recovery to address climate change. I am convinced that

#### Refer to these pages

**1 ESG/SDGs**  
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**2 Revision to the formula for calculating Directors' bonuses linked to key performance indicators**  
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economic recovery efforts and climate change measures should proceed hand in hand.

Clarifying objectives is essential to accelerate such action. This was true, for example, when Ricoh became the first company in Japan to join RE100, a collaborative global initiative of businesses committed to 100% renewable energy. While there did not seem to be a specific path to reach such a target, as a manager, I knew that it was essential to set clear goals 50 years into the future. When you have a target, people begin thinking about what they want and need to do. When that happens, you work out how to get there, and you can then bring people together to collaborate in materializing your goal.

Renewable energy is essential in tackling climate change. As of September 2020, 38 Japanese companies were RE100 members. With more like-minded organizations on board, we can collaborate to materialize our goals.

I would also note that technology can play a huge role in resolving issues. I believe that we can reach our goals by drawing on the Ricoh Group's technologies and those of the rest of the world.

## We will evolve further by turning crises into opportunities

In March 2020, Ricoh announced that it would become a digital services company. The COVID-19 pandemic, while terrible in so many respects, has also presented opportunities to leverage our accumulated know-how to capitalize on changing work practices for so many people.

The deconsolidation of Ricoh Leasing eliminated most of the balance sheet structure and financial stability issues that beset us in the past few years. Structural reforms that we undertook under the 19th Mid-Term Management Plan have solidified our infrastructure, including in financial position and human resources terms. I believe that we can overcome the challenges of fiscal 2020, which we have positioned, as I mentioned earlier, as a year for emergency response and gearing up and reach our reform goals in one year.

The Ricoh Group is steadily expanding and transforming. We look forward to benefiting our stakeholders in the process.

