20th MTP Policy
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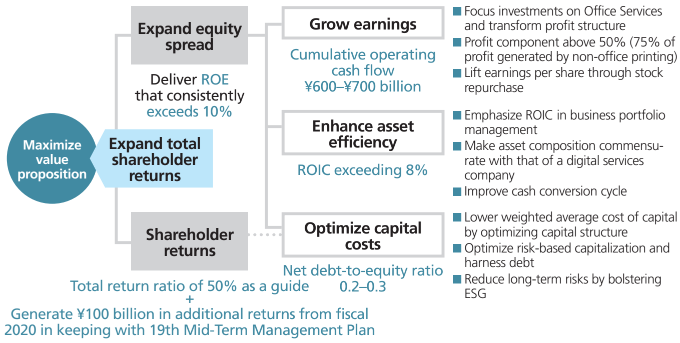
Improve capital returns

Strengthen capital policy

Corporate value maximization and capital policy approach

We aim to maximize corporate and shareholder values while satisfying stakeholder expectations. We accordingly seek to realize returns that exceed capital costs.

Steadily deploy measures to enhance corporate and shareholder value



Note: Figures other than shareholder returns are targets for fiscal 2025

From a balance sheet management perspective, the equity ratio rose slightly owing to the deconsolidation of Ricoh Leasing in April 2020. To become a digital services company, we will target an appropriate capital structure based on risk assessments and borrow to fund investments, carefully balancing debt and equity in our operations. We will use debt in such stable businesses as Office Printing while primarily allocating capital to growth businesses that pose relatively high risks. We target net assets of around ¥1 trillion over the medium term, optimally balancing our financial health and capital costs.

We have positioned total shareholder return and other stock-related indicators as key benchmarks in evaluating the CEO and other senior management team members. The formula for calculating executive officers' compensation reflects progress in reaching ROE targets and includes external ESG assessments.

Growth investments approach

We will materialize a suitable capital structure and generate operating cash flow by properly balancing debt and equity in businesses and investing systematically to drive further growth.

Composition of ¥500 billion in growth investments

■ M&A investment for growth — **Approx. ¥300 billion**

M&A in Office Services arena: Approx. ¥200 billion
M&A in frontlines* arena: Approx. ¥100 billion

■ Strengthen business foundation — **Approx. ¥100 billion**

(Acquire and nurture digital experts, renew enterprise system, internal digital transformation, etc.)

■ Investment for new business domains — **Approx. ¥100 billion**

(Develop advanced technologies in priority areas and create new businesses to resolve external issues)

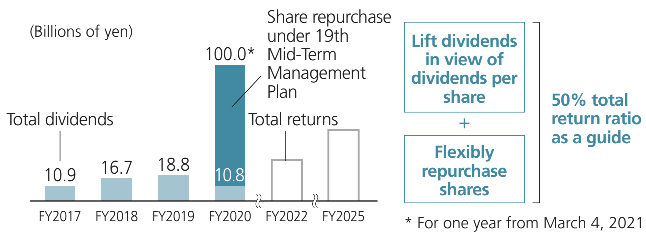
* Frontlines such as printing, manufacturing. logistics industries, which will be covered by RICOH Graphic Communications and RICOH Industrial Solutions

We plan to invest around ¥500 billion in growth to become a digital services company. We will fund balanced, strategic allocations with operating cash flows and interest-bearing debt.

We established the Investment Committee in fiscal 2019 as part of governance reforms. The committee makes decisions by verifying investment plans from capital cost and other financial perspectives, assessing medium- and long-term profitability, growth prospects, risks, and investment efficiency from business strategy perspectives. The committee helps us to increase earnings from strategic investments to drive sustainable growth by advising on acquisition investment decisions and monitoring post-acquisition progress.

Shareholder returns policy

Under this policy, we target a 50% total return ratio by maintaining stable dividends and flexibly repurchasing shares. We look to steadily lift dividends per share in line with annual profit growth from the fiscal 2021 level. We will buy back shares within the total payout ratio scope, factoring in the business environment and progress with growth investments, to lift earnings per share.



* For one year from March 4, 2021

Message from the CFO

Financial Strategy Approach

Transitioning to emphasize returns on capital

Hidetaka Matsuishi
Director, Executive Corporate Officer and CFO

Striving to enhance returns on capital

Jake Yamashita left no stone unturned in initiating reforms under the Ricoh Resurgent banner after he took the helm in 2017. He set about overhauling the cost structure and took steps to liquidate and consolidate business sites, reorganize Group companies, and optimize our asset portfolio. One decisive reform was to book goodwill impairment charges. This and other necessary moves meant significant losses and a lower ROE in fiscal 2017 and spotlighted the urgency of overhauling operations to emphasize returns on capital and minimize business volatility.

The Japanese government revised the Corporate Governance Code in 2018 to require companies to run with due consideration to the cost of capital. Encouraging managements to factor costs and risks into efforts to increase ROE should maximize corporate value. Total shareholder returns would thus rise in terms of capital gains (from higher share prices) and income gains (in the form of larger dividends).

We accordingly launched a project in October 2018 in which the president oversaw directors in mulling revisions to our capital policy and ways to enhance capital returns. Ricoh solidified its approach after identifying key elements to reevaluate its capital policy, including its capital and debt structure and shareholder returns. I benchmarked myself against the CFOs of other companies that have led the way in improving capital policies, incorporating their ideas in our approach. We announced our stance on improving capital returns and our capital policy on IR Day in April 2019. We intended to work on the specifics in 2019 and formally present a new Ricoh capital policy aligned with the 20th Mid-Term Management Plan, which we were to announce in March 2020.

The pandemic was a setback, and in fiscal 2020 we were only able to announce a general framework for emphasizing the total return ratio and repurchasing shares. Ricoh extended the announcement of its new Mid-Term Management Plan to March 2021. We took advantage of this time to more extensively discuss specifics and carefully consider the capital structure and allocations that would enable us to lift earnings per share and make our growth strategy more effective. Ricoh's stance is to establish an equity capital level that is commensurate with our business and asset risks. Specifically, we will set a net worth target of about ¥1 trillion over the medium term and invest debt and equity in our business in a balanced manner. We will borrow where interest rates are below the cost of capital, tapping this affordable leverage to drive earnings. We will manage risks by allocating debt to Office Printing and other businesses that produce stable earnings. We will use capital funding for growth businesses that present higher risks.

In April 2021, we adopted a business unit structure. Businesses have integrated everything from development to sales. This enables them to make proposals to development and design units relating to cost-cutting and efficiency improvements that were previously only within production phases. Our businesses focused less on capital investments and more on bottom-line earnings. That was because units were able to use plants and other facilities upon headquarters approval. As a result of reassessing the number of production sites from capital profitability perspectives, one business unit planned a major review of the number of sites it required. We aim to save around ¥68 billion by 2022 through such initiatives to reinforce our business structure.

In April 2021, we adopted ROIC after trialing a portfolio management approach from 2019. This is in keeping with efforts to build a business structure that considers capital returns. We are concentrating operational resources on businesses and overhauling them through portfolio management that combines ROIC with marketability and other factors.

Ensuring appropriate shareholder returns

Overseas institutional investors have long asked why many Japanese companies, Ricoh included, target a dividend payout ratio of 30%. We have recognized the need to boost our ratio based on discussions with overseas institutional investors and the targets of top companies we benchmark. Under our 20th Mid-Term Management Plan, which started in fiscal 2021, we committed to lifting our total shareholder return ratio, in stages, to 50%. We will pursue consistent dividend increases in light of dividends per share and improve earnings per share by flexibly repurchasing shares.

In announcing our shareholder return policy, we also declared in March 2020 a goal of providing an additional ¥100 billion in shareholder returns under the 19th Mid-Term Management Plan. The pandemic clouded the outlook for fiscal 2020, however, so we decided to refrain temporarily from offering additional shareholder returns and prioritize securing cash reserve liquidity to ensure our corporate survival. In March 2021, we began repurchasing shares in alignment with our shareholder returns policy. We plan to cancel all shares we buy back and the treasury stock we already hold.

We will strive to improve earnings per share through buybacks and cancel repurchased shares to eliminate concerns that we might reissue them later.