20th MTP Policy 3

Improve capital returns

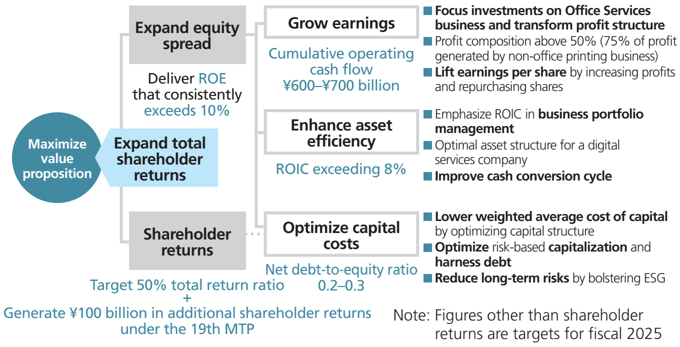
Reinforcing capital policies

Corporate value maximization and capital policy stances

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

In fiscal 2021, all business units overcame a challenging business climate to undertake structural reforms. At the same time, they deployed measures to recover from product shortages and the impacts of such external factors as raw material and ocean transportation costs. On the balance sheet management front, our equity ratio was high owing to the April 2020 deconsolidation of Ricoh Leasing Company, Ltd. We aim to attain an appropriate risk assessment-based capital structure to transform Ricoh into a digital services company. We will primarily allocate capital to relatively high-risk growth businesses while using debt in the Office Printing business and other stable businesses. We will continuously verify and improve our cash flow allocations to optimize our capital structure.

Steadily deploy measures to enhance corporate and shareholder value



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

Growth investment approach

We are maintaining our policy of investing ¥500 billion in growth investments by fiscal 2025. We established and are pushing ahead with priority areas, which are for business growth M&A investments, strengthening of business foundations, and investment for new business domain creation.

As part of becoming a digital services company, we acquired several information and communications technology (ICT) companies in Europe. We are steadily investing in acquisitions for business growth in Japan, including the April 28, 2022 decision to make PFU Limited a consolidated subsidiary. We are bolstering our management infrastructure by upgrading our core systems and investing in human capital.

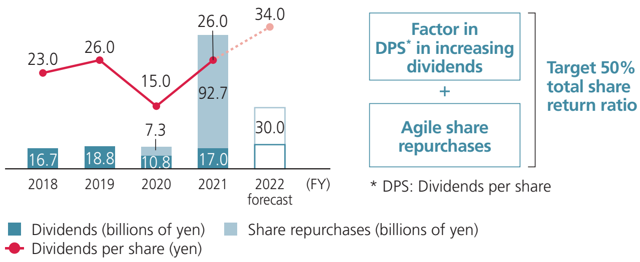
We will systematically allocate operating cash flows from business investments to further invest in growth and generate shareholder returns. Investment will be made strategically and in a balanced manner by actively utilizing interest-bearing debt as well as capital, mainly from operating cash flow as described in the section above.

	Priority segments	¥500 billion in growth investments through FY2025
M&A investments for business growth	Office services in Japan and Europe	Approx. ¥200 billion (top priority)
	Office services software	
	Edge devices that drive digital services	
	Frontlines digitalization	Approx. ¥100 billion (Prepare as additional investment)
Strengthen business foundations	■ Acquire and train digital professionals ■ Upgrade enterprise systems	Approx. ¥100 billion
New business domain creation	■ Develop advanced technologies ■ Create businesses that resolve social issues	Approx. ¥100 billion

Shareholder return policy

We are maintaining our policy of delivering a 50% total return ratio. In fiscal 2021, we endeavored to enhance returns on capital by repurchasing and retiring ¥100 billion in shares in light of achievements under our 19th Mid-Term Management Plan. We paid an annual dividend of ¥26 per share, as forecasted.

For fiscal 2022, we aim to lift dividends by ¥8 per share, for an annual total of ¥34 per share that factors in the dividend yield. We plan to buy back up to ¥30 billion in shares in the first half of the year and retire all repurchased shares. We will keep striving to improve shareholder value, including flexibly repurchasing shares while factoring in business plan and growth investment progress.



* DPS: Dividends per share

Message from the CFO

Takashi Kawaguchi
CFO

In fiscal 2020, the first year of our 20th Mid-Term Management Plan, the COVID-19 pandemic significantly affected our operations, particularly MFPs in our Office Printing business. We accordingly positioned that year as one of tackling the crisis stemming from the pandemic and gearing up for the future. With infections spreading during the year, we reviewed the remaining two years of that plan, including rebuilding measures to drive business growth and undertaking structural reforms. We planned several business management and capital policy changes as part of that process.

Progress with business unit structure and ROIC management

We adopted a business unit structure in April 2021. One anticipated outcome in integrating everything from development through production and sales was that cost-cutting and efficiency gains would be comprehensive and swifter than under a function-based organization. The pandemic's impacts increased in fiscal 2021. In particular, we experienced parts shortages and soaring raw material and ocean freight costs, especially after the summer. We quickly implemented recovery measures. Efforts included bringing forward or augmenting structural reform initiatives and flexibly controlling costs. We could not have taken these actions under our previous organizational structure.

We also began basing business management on returns on invested capital (ROIC). We are breaking down ROICs into measures and key performance indicators and connecting them to a ROIC tree to better link companywide and operational or business unit ROICs. The ROIC tree is also leveraged to track profitability and efficiencies in production, sales, maintenance, and other processes. It has been demonstrated that the work of individual employees such as maintaining proper inventory turnover periods, improving receivables processes from credit management through collections, and automating business processes using low-code applications, is either directly or indirectly improving ROIC.

We aim to assess and monitor each business unit to optimally allocate resources for growth and overhaul operations by augmenting ROIC with business portfolio management that combines marketability and compatibility with the digital services we seek to offer. We are also building a management structure that is conscious of capital profitability.

Growth investments and capital policies

As mentioned earlier, our three investment categories are M&A investments for business growth, strengthen business foundations, and investment for new business domain creation. We aim to make ¥500 billion in growth investments by fiscal 2025. We are cultivating digital professionals to reinforce our business structure. As a digital services company, we view sufficient investment in digital professionals not as a mere expense, but as an essential investment for generating future financials. Such investments include developing multi-skilled maintenance services and sales personnel near customer frontlines and adopting digital manufacturing processes. Investments are also important to ensuring acquisitions succeed and creating new business domains. In the coming years, we will increase corporate value by cultivating people who can generate high added value at key customer contact points.

On the cash flow allocation front, we have retained our approach of assigning capital to investments in growth businesses and leveraging interest-bearing debt to invest in stable business fields. We will strive to optimize our capital structure with net assets of around ¥1 trillion by fiscal 2025 while temporarily employing capital to cover business risks in uncertain times and help us transition to a digital services company.

Our shareholder returns policy under the 20th Mid-Term Management Plan is to generate a total return ratio of 50%. We look to lift our dividends per share by ¥8, to ¥34, in fiscal 2022. We seek to continue increasing dividends, boost corporate value, and improve earnings per share by flexibly undertaking measures that deliver additional returns.