Financial and Capital Strategy

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CFO

Investing in growth to become a digital services company

We must reach our ROE target of above 9% by fiscal 2025, the final year of the 21st Mid-Term Management Strategy. We will execute our Corporate Value Improvement Project while investing in growth to transform into a digital services company. By building a solid track record, providing regular updates, and engaging in sincere dialogue, we aim to foster a clear understanding of the Group's medium- to long-term business and management direction and earn the trust of our shareholders and investors. 1

Optimizing cash management

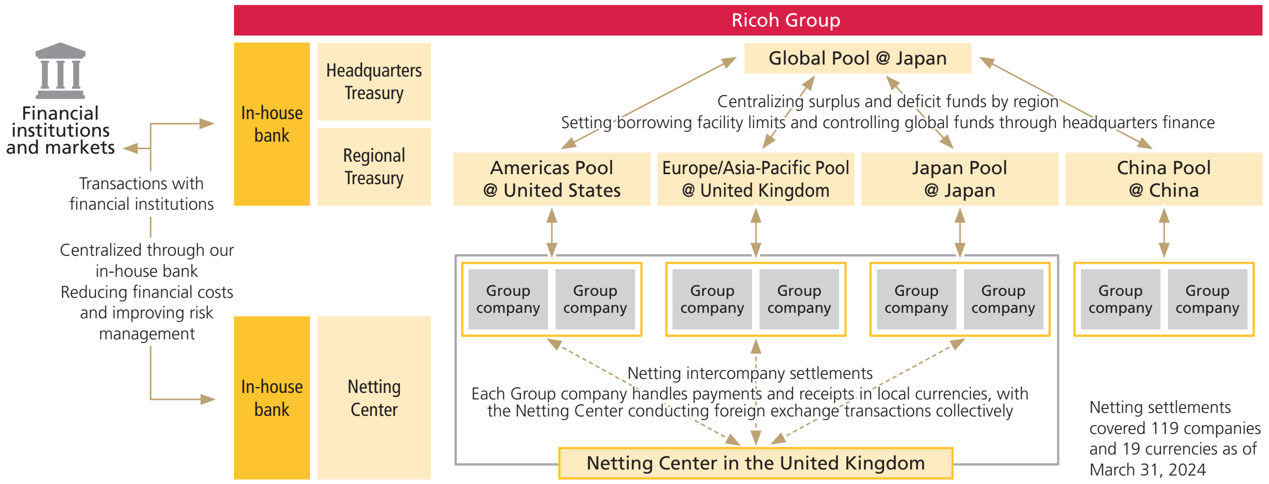
We adopted Group finance policies of Cash Belongs to Corporate and Treasury Centralization to use funds more effectively and enhance cash management efficiency globally. By consolidating funding within headquarters' Treasury Department, we ensure flexible and cost-effective funding. Acting as an in-house bank, this department focuses on cash pooling, centralized foreign exchange transactions, and Group loans, providing financial services related to funds and foreign exchange for Group companies. This approach ensures internal financial discipline, reduces financial costs, and strengthens risk management.

We ensure funding discipline and control by managing daily borrowing facility limits for each Group company through discussions and agreements with the Treasury Department, based on the funding needs outlined in their business plans. We consolidate surplus funds into a cash pool to optimize liquidity within these borrowing facility limits, allowing for real-time funding flexibility. This approach reduces group-wide external financing and foreign exchange costs.

For Group intercompany receivables, payables, and related foreign exchange transactions, we implement netting settlements for receivables and payables among Group companies worldwide through the Netting Center. This approach has significantly reduced remittance numbers and foreign exchange exposure, cutting Group remittance fees and minimizing foreign exchange risks. Each company makes payments and collections in local currencies to the Center, avoiding the need to engage in foreign exchange transactions. We globally consolidate foreign exchange transactions for external payments outside netting. The Center handles more than ¥2 trillion in foreign exchange transactions annually. Also, we reduce foreign exchange costs by employing a bidding-based electronic foreign exchange trading system.

The Netting Center, a treasury subsidiary in the United Kingdom, manages these functions under the supervision of the Treasury Department. The department drives our financial strategy in collaboration with that subsidiary and regional treasury functions. That setup ensures efficient and advanced financial processes grounded in financial expertise. Our measures have helped to significantly lower financial costs.

Global cash management structure



For more details see
1 Interview with the CFO ▶PP. 15-16

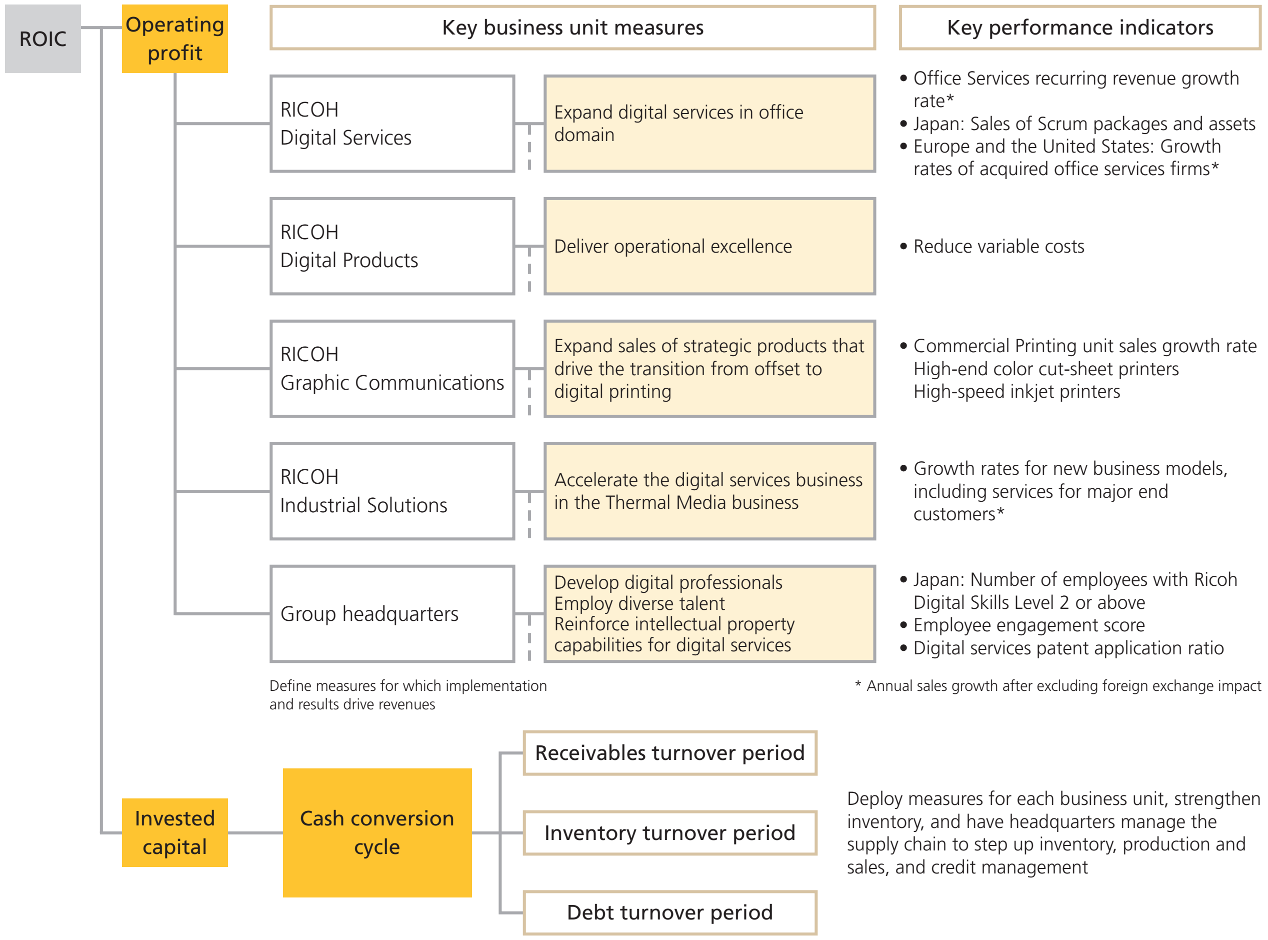
Overseeing businesses through ROIC management

To maximize corporate value, we rigorously manage each business unit under strict business portfolio management led by Group headquarters, evaluating based on criteria such as ROIC, marketability, and other factors. This approach rationalizes decisions and optimizes resource allocations. We enhance traditional profitability and marketability measures by assessing alignment with digital services. By analyzing from these three perspectives, we objectively classify business units into four categories: growth acceleration, earnings maximization, strategic transformation, and business revitalization. This classification optimizes and strengthens the operational foundation required to succeed as a digital services company.

Each business unit and department deploys measures using ROIC trees to pursue returns exceeding capital costs that enable us to keep the medium- to long-term ROE above 10%. We incorporate these key measures in a companywide ROIC tree. For Group headquarters measures that are hard to quantify financially, we prepare and regularly monitor a narrative as a Ricoh-style ROIC tree, which we regularly monitor. We update financial goals, refine initiatives, and manage key goals and performance indicators through this process.

Overview of a Ricoh-style ROIC tree

We manage key performance indicators from individual organizational and companywide perspectives by setting benchmarks that consider both the profit or loss statements and the balance sheets.



Cash allocations

We have maintained the ¥500 billion growth investment target for the five years from fiscal 2021 through 2025, as announced in our 20th Mid-Term Management Plan.

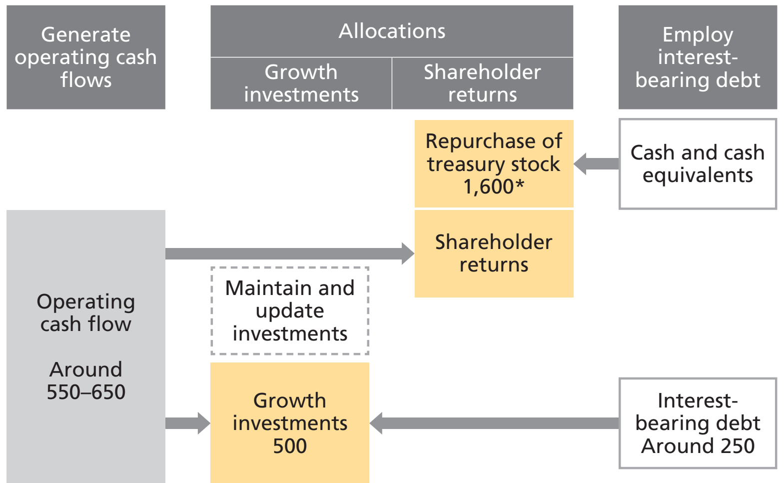
In fiscal 2023, we made steady investments to strengthen IT services, including the acquisition of PFH Technology Group in Ireland. We expanded our Office Services business through M&A investments in communication and application services in Europe and the United States.

As we transition into a digital services company, we aim for an appropriate capital structure based on risk assessments, actively utilizing debt as a source of investment. We extensively leverage debt for stable businesses like Office Printing, while allocating equity capital primarily to relatively high-risk growth businesses, thereby maintaining a balanced approach to debt and equity in our investments.

Cash allocations

Capital policies through cash allocations (FY2021–FY2025)

(Billions of yen)



* Announced through the fiscal year ending March 2024

Growth investment framework and progress

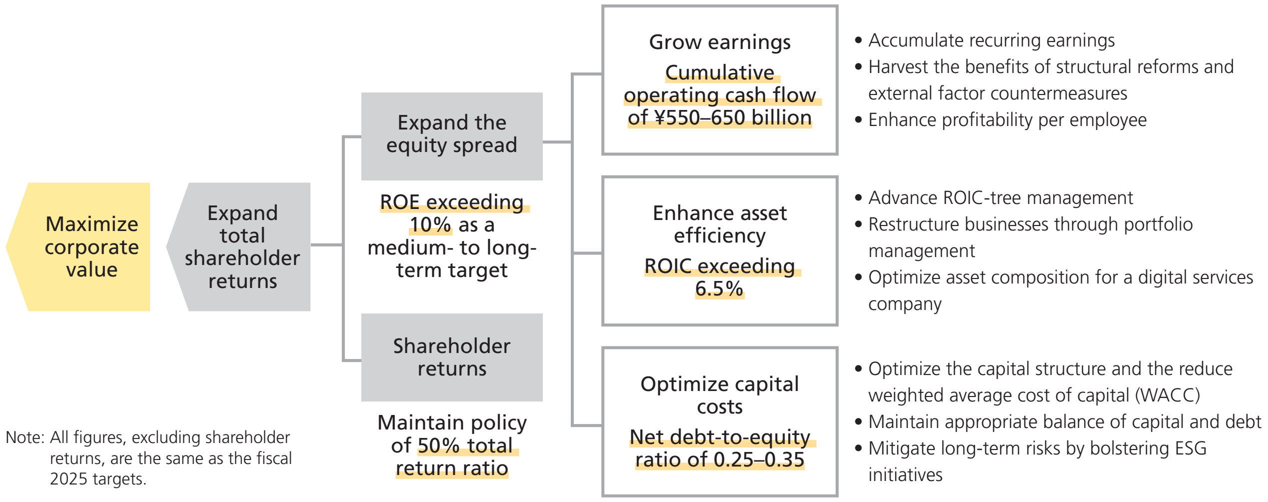
(Billions of yen)

	20th MTP FY2021–FY2022	Growth investment framework plan FY2021–FY2025
Business growth acquisitions	125	325
Robust management infrastructure	40	90
Investments to create new business domains	25	85
Total	190	500

Driving growth with a capital strategy focused on capital costs

Ricoh Group aims to maximize shareholder and corporate value while satisfying all stakeholders. We seek to generate returns on capital that exceed capital costs, leveraging expert opinions to assess these costs from multiple approaches and perspectives. We comprehensively consider factors such as the impacts of exchange rates on revenue, cash flow, and net assets, as well as the progress of growth investments, to promptly deliver appropriate returns to shareholders.

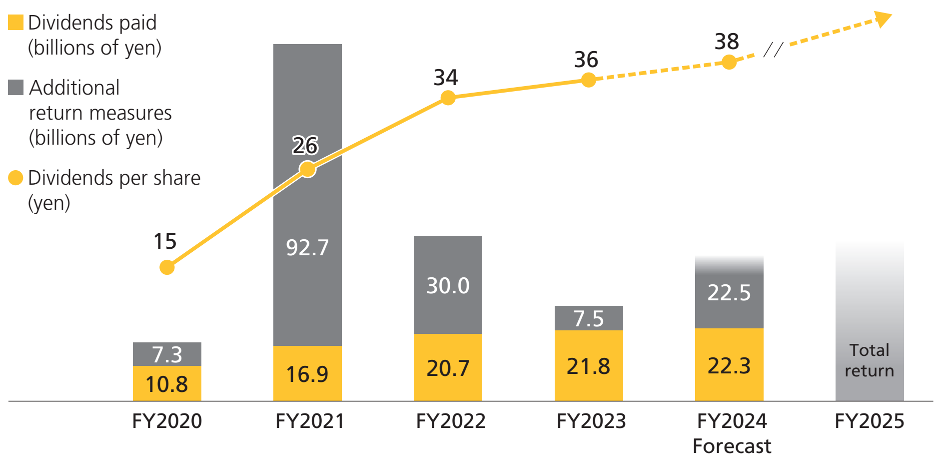
Maximize corporate value by steadily expanding total shareholder returns



Note: All figures, excluding shareholder returns, are the same as the fiscal 2025 targets.

Shareholder returns policy

We uphold a 50% total return ratio, enhancing shareholder returns through steady dividend increases and flexible additional measures.



Returns policy
Target 50% total return ratio

Dividends
Factor in dividend yield in seeking to continuously increase dividends

Additional return measures
Flexibly and appropriately time measures based on an optimal capital structure while taking the business climate and growth investment situation into account

	FY2020	FY2021	FY2022	FY2023	FY2024 Forecast	FY2025
Dividend payout ratio	(Deficit)	57.3%	38.6%	49.6%	46.7%	
Total return ratio*	(Deficit)	362.6%	93.8%	66.7%	—	Projections

* Ricoh repurchased ¥100 billion in shares from March 4, 2021, to December 8, 2021, and retired them on February 28, 2022, along with shares bought before March 2021. Another ¥30 billion in shares were repurchased between May 11, 2022, and September 22, 2022, and retired on October 31, 2022. In addition, the company repurchased ¥7.5 billion in shares from February 7, 2024, to March 31, 2024.