

**Jake Yamashita**  
Chairperson

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Lead Independent Director

Special feature

A conversation between the Chairperson and the Lead Independent Director

## Engaging in a transparent and objective CEO succession process to accelerate Ricoh's transformation into a digital services company

**Akira Oyama became Ricoh's president and CEO in April 2023. The Company simultaneously announced the 21st MTS, a three-year initiative.**

**Jake Yamashita, the chairperson, and Kazuhiko Ishimura, the lead independent director, recently sat down to discuss their roles in the processes to nominate Mr. Oyama and formulate the new strategy.**

### Reflecting on the CEO selection process

**Yamashita:** It was in fall 2017, not long after I became president and CEO at Ricoh, that we began the succession planning process that culminated in Akira Oyama's appointment. From fiscal 2021, the Nomination Committee met 12 times to discuss this matter. It also commissioned a third-party assessment

of multiple candidates. The committee further discussed this matter, after which the Board of Directors resolved to select Mr. Oyama. This committee evaluates the CEO at two stages annually, including to determine if that person is fit to continue. While rigorously assessing the current CEO, we also systematically consider CEO succession. In early November every year, I proposed several candidates to the Nomination

Committee. Other than myself, all Nomination Committee members are outside directors. So, I tried to engage more with them through Board of Directors meetings and preliminary briefings to help them assess the personalities and other attributes of candidates. Choosing a successor is one of the CEO's most important tasks. I started thinking about this right after I took the helm. Given that we positioned the 21st MTS to accelerate Ricoh's transformation into a digital services company, we wanted to choose someone who could steer the ship in the right direction.

**Ishimura:** It's certainly important to maintain strategic continuity. Succession planning from soon after a CEO's appointment is a significant part of that person's mission. It's paramount to tackle such matters early because it takes time to prepare candidates during your tenure. When you have multiple candidates, you should give them tough assignments as a part of the evaluation process.

I became an outside director in June 2022, so I was only involved in the final stages of the selection process. Still, I found

that the methods were meticulous and that the Nominating Committee had extensively discussed the matter to that point. In my view, the process was objective and transparent because we interviewed several candidates individually, taking into account the findings of third-party assessments.

**Yamashita:** I heard from Mr. Oyama that you advised him about mindfulness as a CEO during an interview. I think it was very useful for his executive development. I first met Mr. Oyama in 1996, when we were considering copier recycling in Europe. Some worried that recycling would dampen new product sales. But Mr. Oyama said, "Let's consider the best interests of our customers." Those words left a lasting impression on me because his altruistic work ethic demonstrated that he is a remarkable individual. When I later reminded him of this episode, he chuckled and said he could barely remember it. He's the sort of person who listens to others, absorbs what they say, and then expresses his views after careful consideration. You have to trust your gut when making decisions. Otherwise, you end up constantly revising things. So, I'm

confident in his decision-making, which he has also based on listening attentively to people at all levels in Ricoh.

**Ishimura:** In interviewing Mr. Oyama, I told him that it can be lonely at the top. Unlike the person in second spot, he is in a position to make final decisions and steer the organization. You have to be able to withstand solitude and heavy responsibilities.

Although his management style differs from yours, I think that's perfectly acceptable. I observed through several interviews that Mr. Oyama is quiet and calm. His tranquil way of listening to others fostered trust and reassurance.

I concluded that his management style—listening attentively to those around him and synthesizing their views—would be just what we need to bring together a diverse workforce worldwide in striving to make Ricoh a digital services company. This is why the Board of Directors unanimously elected him.

**Yamashita:** That's true. It's also worth noting that we've regularly commissioned third-party evaluations since I joined the Board of Directors. For the CEO selection process, we requested an assessment of candidates' interpersonal skills based on an array of data points.

The assessment included candidates' prior employment experiences, how their life experience shaped their values, and their narratives about how they overcame challenges. On top of that, I think that the Nomination Committee played a useful role in discussing numerous areas beyond the purview of the third-party evaluation report.

### About Ricoh's New Mid-Term Management Strategy

**Yamashita:** We formulated the 21st MTS to capitalize on rapid changes in the world of work resulting from the COVID-19 pandemic and materialize our core policy of transitioning into a digital services company. A priority is to strengthen our regional strategies so digital professionals engaging directly with customers can resolve their concerns locally. Customer characteristics differ across the Japanese, Americas, and European markets. Our strategic approaches must adapt to regional needs to optimize added value for each customer.

**Ishimura:** We've had to consider why this policy would drive the Ricoh Group's success. In Board meetings, we've asked what makes the Ricoh Group strong and gives it a competitive edge.

A key Ricoh strength is its last-mile customer touchpoints, for which it has developed a range of services for office environments centered around its printing business. We also understood that our transformation as a digital services company that fully leverages these strengths is a cornerstone of Ricoh's growth strategy.

Additionally, we reviewed a matrix chart of countries and products needed to expand our business. There were also proposals for acquisitions and other initiatives to fill in any capability gaps. I believe that our prospects for success will improve as we implement a strategy that fully leverages Group strengths.

**Yamashita:** We are moving from an era in which hardware drove our competitiveness to one in which we create customer value by delivering software as a service that leverages hardware.

That is why we concluded a basic accord with Toshiba Tec in May 2023 to form a new company together. We will use that vehicle to demonstrate our last-mile strengths while maintaining our manufacturing prowess. At the same time, we seek to be a digital services company that delivers new customer value by using our MFPs and other unique edge devices as gateways to our RICOH Smart Integration platform. As part of this process, I want to provide the Board with more opportunities to visit the frontline to help enhance governance.

**Ishimura:** I very much look forward to that. Visiting plants and research facilities around Japan in 2022 deepened my insights into what makes Ricoh tick. Engaging with frontline employees gave me a feel for workplace environments that is often hard to fully grasp in board meetings.

### Growing over the medium and long terms

**Yamashita:** I readily admit that our price-to-book ratio of less than 1x isn't good enough. Mr. Oyama and his executive team have launched a project to boost the ratio above this level. The first step in a positive direction must be to deliver results that demonstrate our growth potential, raising expectations for the Ricoh Group and increasing our corporate value. We also must properly convey what we're doing to investors, analysts, and other capital market players who assess such value.

**Ishimura:** A key factor in boosting the price-to-book ratio is to lift the ROE by increasing bottom-line earnings rather than reducing shareholders' equity. I think it would be a great idea to show the outside world a clear connection between Ricoh's policy to become a digital services company and its top-line revenue and profit margin trends.

**Yamashita:** Our people need to understand that as a digital services company we have to transform our business structure and tackle new challenges. I believe that corporate expansion is the sum of employee growth. So, I want Ricoh to be accountable to external stakeholders while improving information transparency internally.

**Ishimura:** As they say in Japan, "people are power," and they certainly drive corporate growth. Given that aggregate talent development will enable the Ricoh Group to expand, ensuring employee engagement will remain important for enhancing our corporate vitality overall. Four engagement basics determine how to improve employee satisfaction and loyalty to Ricoh. The first is to have a shared vision.

At Ricoh, we are sharing worldwide our commitment to the Spirit of Three Loves and our key policy of transitioning into a digital services company. The second basic is whether we are a good employer, which is a quality that external parties prize. Third is job satisfaction, which will become even more important in coming years. In visiting sites in 2022, I got the impression that frontline employees find their work fulfilling. The fourth basic is growth opportunities. As the Nomination Committee's chairperson, I would also like to speak with the Human Resources Department about what promotion opportunities employees could anticipate from contributing to growth. I believe that we have tremendous potential in view of the aggregate clout that our people can deliver.

**Yamashita:** Thank you very much for sharing those perspectives. I'm particularly conscious about the third basic, which is job satisfaction. I do wonder if Ricoh's workstyle reforms are about more than just boosting efficiency from an employer's perspective. Self-realization is vital for us in view of our commitment to Fulfillment through Work. Employees should find it very rewarding personally to deliver new value to customers, thereby enhancing job satisfaction. That constitutes a virtuous cycle for Ricoh and our people, putting both interests on an equal footing and fostering mutual growth. In view of the four engagement basics that you outlined, I'm confident that Mr. Oyama is well able to leverage his ability to head and understand employees and lead Ricoh toward a very bright future.

