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Ricoh reaches agreement on a business alliance, will carry out a partial share transfer of a consolidated subsidiary, and announces an extraordinary gain in its non-consolidated financial results consequently revising its full-year consolidated operating results

At a meeting on March 9, the Board of Directors of Ricoh Company Ltd. (referred to as “Ricoh”) agreed to enter into a business alliance agreement between three companies, Mizuho Leasing Company, Ltd. (referred to as “Mizuho Leasing”), Ricoh Leasing Company, Ltd. (referred to as “Ricoh Leasing”), a consolidated subsidiary of Ricoh, and Ricoh, and to sell a portion of Ricoh’s shares in Ricoh Leasing to Mizuho Leasing.

As a result of the share transfer, Ricoh's voting rights in Ricoh Leasing will change from the current ownership ratio of 53.7% to 33.7%, and Ricoh Leasing will move from being a consolidated subsidiary of Ricoh to an equity-method affiliate.

In accordance with the share transfer agreement, an extraordinary gain will be recorded in the non-consolidated financial results, having an impact on its consolidated operating results.

1. Rationale for the business alliance and share transfer

Ricoh Leasing was established in 1976 as Ricoh Credit Co., Ltd., mainly engaged in the business of leasing office equipment, and changed to its current trading name in 1984. Up to now, Ricoh Leasing has not only leased office equipment, but has expanded its business domain by providing various services such as IT and medical equipment leasing as well as providing financial services such as cash collection and factoring to increase the corporate value of the Ricoh Group. Currently, Ricoh Leasing has a robust business base of small and medium-sized business customers. It has established its own position in the leasing industry in Japan and has played the role of credit management and contract collection for Ricoh’s Japanese sales subsidiary, Ricoh Japan Corporation.

Today, Ricoh and Ricoh Leasing have entered into this business alliance agreement with Mizuho Leasing, and Ricoh has agreed to transfer a portion of Ricoh's common stock in Ricoh Leasing. Ricoh Leasing will be able to expand its business domain and invest in growth beyond the scope of the Ricoh Group even further than before, while at the same time enhancing the business base of vendor leasing, which is Ricoh Leasing's strength.

Mizuho Leasing uses its extensive knowledge of equipment, deep understanding of commercial distribution and advanced financial expertise and provide a wide range of financial services to expand its business, mainly in large and medium-sized businesses. In recent years, Mizuho Leasing has been working to provide solutions that address growth areas brought about by changes in the social and industrial structure and the increasing sophistication of customers' business models. In addition, it is taking advantage of the vastly expanding business fields in Japan and overseas through partnerships with a bank and a general trading company, and is aiming a dramatic growth by challenging initiatives that have not been on the conventional modus operandi.

Between them, Mizuho Leasing, whose business is based on wholesale business amongst large and medium-sized businesses, and Ricoh Leasing, whose business is based on vendor finance for small and medium-sized businesses, have a small number of overlapping customers and target business areas. This business alliance is therefore highly complementary and can create new business synergies. In addition, it is anticipated that Mizuho Leasing's resources and customer base will be used to expand Ricoh Leasing's business opportunities into new areas. Based on the above, we believe that it is the best partner to accelerate the growth strategy of Ricoh Leasing and create synergies to establish a robust business foundation for the future. We also believe that it will be possible to provide new value through this alliance to new business areas and customers, which had been challenging to accomplish as part of the Ricoh Group.

In the 19th Medium-term Plan entitled "Ricoh Resurgent", launched in April 2017, Ricoh set out to strengthen the profitability of its core business and shift management resources to growth areas by reviewing owned assets and focusing its business portfolio. In this context, we have been reviewing all subsidiaries and affiliated companies on a zero basis from the perspective of the future growth of each company, and have so far implemented a number of appropriate transfers of shares of subsidiaries and affiliated companies. As a result of examining the ideal structure of Ricoh and Ricoh Leasing for future sustainable growth. And given the growing demand for listed companies to focus on capital costs, as reflected in the 2018 revision of the corporate governance code, this decision was made prior to accelerating the execution of the growth strategy in the next Mid-term Plan, starting April 2020.

Ricoh recognizes that active and large-scale investments in growth areas is essential for sustainable growth in the future and for meeting the expectations of shareholders and other

stakeholders. On the other hand, as customer needs shift from equipment ownership to usage, we will continue to maintain a strong relationship with Ricoh Leasing while providing a new revenue base such as providing a subscription model that uses financing services.

By transferring a portion of Ricoh Leasing's shares and making the company an equity-method affiliate, Ricoh will improve its asset efficiency and while maintaining its relationship with Ricoh Leasing, we will reduce risks arising from financial assets on the balance sheet. This will enable flexible financing and proactive investment in growth areas. Furthermore, we are convinced that by considering and implementing more flexible and agile capital policies to optimize the capital structure, we will be able to work harder than ever to achieve sustainable corporate value enhancement.

2. Details of the business alliance

Ricoh, Ricoh Leasing and Mizuho Leasing have agreed to effectively utilize their own business foundations to strengthen their existing businesses in order to achieve their own business growth and increase corporate value, and to promote discussions between the parties, to use their know-how and infrastructure to create new business opportunities.

Ricoh Leasing plans to acquire about 3% of Mizuho Leasing's common stock through market transactions, bilateral transactions, and other methods in order to facilitate the business alliance.

3. Overview of the affected subsidiary and business alliance partner (Ricoh Leasing)

(1) Trade name	Ricoh Leasing Company, Ltd.		
(2) Address	4-1, Kioi-cho, Chiyoda-ku, Tokyo		
(3) President	Daisuke Segawa		
(4) Business	Lease and Installment Sales Business Financial Services Business		
(5) Capitalization	¥7,896 million		
(6) Date of establishment	December 21, 1976		
(7) Major shareholder and ownership ratio (as of September 30, 2019)	Ricoh Company, Ltd.		53.66%
	Japan Trustee Services Bank, Ltd. (Trust account)		4.29%
	BBH FOR FIDELITY PURITAN TR:FIDELITY SR INTRINSIC OPPORTUNITIES FUND		3.47%
	BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)		2.46%
	The Master Trust Bank of Japan, Ltd. (Trust account)		2.10%
	NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS		1.46%
	DFA INTL SMALL CAP VALUE PORTFOLIO		1.41%
	Japan Trustee Services Bank, Ltd. (Trust account 9)		1.22%
	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT		1.21%
	STATE STREET BANK AND TRUST COMPANY 505001		1.07%
(8) Relationships between the companies	Capital	Ricoh owns 53.66% of that company's shares	
	Personnel	From Ricoh: 2 directors and 1 auditor	
	Business	Ricoh is outsourcing the leasing of its customer's office equipment, etc., and Ricoh group company's contract and collection business in Japan.	
	Related party	Ricoh Leasing is a Ricoh consolidated subsidiary and is a related party.	
(9) Financial results for past three years			
Fiscal years ended March 31	2017	2018	2019
Net assets	¥155,998 million	¥165,890 million	¥174,449 million
Total assets	¥918,659 million	¥968,950 million	¥1,040,678 million
Net assets per share	¥4,975.38	¥5,288.85	¥5,588.38
Sales	¥291,116 million	¥304,341 million	¥313,957 million
Operating profit	¥17,333 million	¥16,552 million	¥17,276 million

Ordinary profit	¥17,180 million	¥16,415 million	¥17,383 million
Net income attributable to owners of the parent	¥11,772 million	¥11,306 million	¥11,943 million
Earnings per share attributable to owners of the parent	¥377.12	¥362.19	¥382.60
Cash dividends per share	¥60	¥70	¥80

4. Overview of share transferee and business alliance partner (Mizuho Leasing)

(1) Trade name	Mizuho Leasing Company, Limited.		
(2) Address	2-6 Toranomom 1-chome, Minato-ku, Tokyo		
(3) President	Hiroshi Motoyama		
(4) Business	Leasing, Installment Sales, Financing		
(5) Capitalization	¥26,088 million (as of March 31, 2019)		
(6) Date of establishment	December 1, 1969		
(7) Major shareholder and ownership ratio (as of September 30, 2019)	Mizuho Bank, Ltd.		23.03%
	The Dai-ichi Life Insurance Company, Limited		5.98%
	The Master Trust Bank of Japan, Ltd.(Trust account)		4.23%
	NISSAN MOTOR CO.,LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co.,Ltd. and re-trustee Trust & Custody Services Bank, Ltd.		3.57%
	Japan Trustee Services Bank, Ltd.(Trust account)		3.31%
	UNIZO Holdings Company, Limited.		3.15%
	Meiji Yasuda Life Insurance Company		2.55%
	DOWA HOLDINGS CO., LTD.		2.29%
	SSBTC CLIENT OMNIBUS ACCOUNT		2.14%
	Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)		1.84%
(8) Relationships between the companies	Capital	Not applicable	
	Personnel	Not applicable	
	Business	Not applicable	
	Related party	Not applicable	
(9) Financial results for past three years			
Fiscal years ended March 31	2017	2018	2019

Net assets	¥141,755 million	¥154,632 million	¥182,159 million
Total assets	¥1,752,284 million	¥1,821,282 million	¥2,161,872 million
Net assets per share	¥3,202.27	¥3,492.55	¥3,553.92
Sales	¥429,405 million	¥399,738 million	¥384,893 million
Operating profit	¥17,962 million	¥19,162 million	¥22,913 million
Ordinary profit	¥18,789 million	¥19,964 million	¥24,226 million
Net income attributable to owners of the parent	¥12,414 million	¥13,643 million	¥16,594 million
Earnings per share attributable to owners of the parent	¥291.08	¥319.91	¥388.64
Cash dividends per share	¥64.00	¥70.00	¥78.00

5. Number of shares transferred, transfer price, and number of shares owned before and after the transfer

(1) Number of shares before transfer	16,540,040 (Number of voting rights: 165,400) (Voting rights ownership ratio: 53.70%)
(2) Number of shares transferred	6,160,000 (Number of voting rights: 61,600)
(3) Price of transfer	36.7 billion yen
(4) Number of shares owned after transfer of shares	10,380,040 (Number of voting rights: 103,800) (Voting rights ownership ratio: 33.70%)

6. Schedule

(1) Board of Directors resolution date	March 9, 2020
(2) Agreement date of business alliance (Ricoh, Mizuho Leasing, and Ricoh Leasing)	March 9, 2020
(3) Agreement date of stock transfer (Ricoh and Mizuho Leasing)	March 9, 2020
(4) Transfer date for the transaction	Late April, 2020 (Target)

The premise of the business alliance is based on the execution of a share transfer, and the share transfer is based on completion of notification to the relevant authorities such as Japan Fair Trade Commission and acquisition of permits and other procedures.

7. Outlook

(1) Revision forecasts for the full year ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

	Net Sales (Millions of yen)	Operating Profit (Millions of yen)	Profit before income taxes (Millions of yen)	Net Income (Millions of yen)	Profit attributable to owners of the parent (Millions of yen)	Earnings per share attributable to owners of the parent- basic (Yen)
Forecast announced in February 2020 (A)	2,010,000	100,000	98,000	68,000	62,000	85.53
New forecast (B)	2,010,000	100,000	98,000	56,500	52,000	71.76
Change (B-A)	—	—	—	(11,500)	(10,000)	(13.77)
Change (%)	—	—	—	(16.9%)	(16.1%)	(16.1%)
(Reference) Results for the full year ended March 31, 2019	2,013,228	86,839	83,964	55,377	49,526	68.32

(2) Rationale for the correction

Due to the transfer of shares, the deferred tax liability is expected to be recorded in the consolidated financial results for the fiscal year ending March 31, 2020 as the timing of resolving the temporary difference on investment is determined. The revision was made on its consolidated earnings forecast for the fiscal year ending March 31, 2020.

The dividend forecast remains unchanged from the previously announced forecast.

(3) Details of the recording of extraordinary gain in the non-consolidated financial results

For the year ending March 31, 2021, Ricoh plans to book a 33.4 billion yen gain on sales of subsidiaries and affiliates' stocks in extraordinary income on a non-consolidated basis. There is no impact on the fiscal year ending March 31, 2020.

(Note) The above forecasts are based on information currently available to Ricoh and certain assumptions deemed to be reasonable, and are not intended to be Ricoh's promise to achieve them. Actual results may differ significantly due to various factors.