

# Progress Report on Corporate Value Improvement Project

November 8, 2024

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## Ricoh's Vision

- To transform into a digital service company, **aiming for profit growth by transforming the business structure through leveraging Ricoh's assets while mitigating decline of profitability in the Office Printing business**



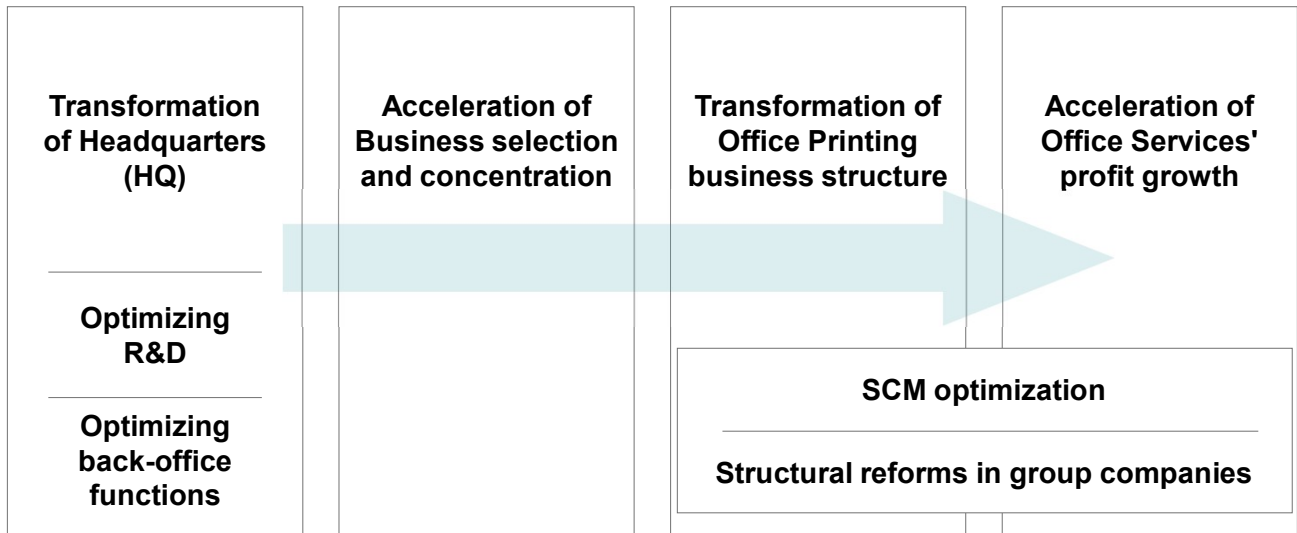
## Approaches

- Office Printing business: **Pursue efficiency, including initiatives to leverage economies of scale**
- Office Service business: **aim to enhance profitability as a workplace services provider**
  - Accelerate the **selection and concentration of R&D themes and businesses** to allocate business resources to growth areas
  - Drive company-wide optimization **to strengthen the skills and talents** required for a digital service company
  - **Strengthen Ricoh's software and enhance the proportion of recurring sales** by concentrating investments



**In addition to profit growth, aiming to continuously improve ROE by asset-light management and appropriate capital policies**

- I would like to report on progress in our Corporate Value Improvement Project.
- First, let me reiterate our vision and approaches for achieving project goals. We aim to drive profit growth by transforming our business structure and maximizing asset utilization while mitigating profit declines in the Office Printing business. While the Office Printing market is shrinking, we will focus on rigorous efficiency measures, pursuing economies of scale. To support this, we established ETRIA, a joint venture with Toshiba TEC, to cut costs by streamlining production, development, and supply chain management, while optimizing back-office functions. In Office Services, we are leveraging our extensive customer base and touchpoints to deliver new value as a workplace services provider.
- To that end, we are reallocating and concentrating resources. We are focusing investments on growth areas by optimizing R&D, accelerating business selection and concentration, and implementing human capital initiatives such as reskilling and the Second Career Support Program in Japan, which I'll discuss further shortly.
- We are specifically directing resources to Process Automation, Workplace Experience, and IT Services. To further increase recurring revenue and profitability, we are investing in proprietary software and strengthening our platforms to deliver solutions globally with maximum efficiency.
- Because our Office Services business operates with minimal capital investment requirements, we will pursue an asset-light management approach and optimize our balance sheet to fuel earnings growth. With recurring revenue expanding, we envision a scenario where we stabilize profitability, enhance balance sheet structure, and continuously improve return on equity.
- I will provide a detailed overview of our overall strategy, including changes in Office Services and progress in Office Printing reforms, at a later time. For now, I will focus primarily on our structural reform initiatives.



- This is the overall framework of the Corporate Value Improvement Project, as previously presented. It drives structural reforms through initiatives spanning the entire value chain. We have positioned fiscal 2024 as the year for implementing these efforts, seeking to reap rewards in fiscal 2025.

## Progress of Initiatives

		Expected effects by FY2025 (compared to FY2023, in billions)	
		FY2024 Q1	To date
Transformation of Headquarters	Optimizing R&D	about ¥15 over ¥30 on cash basis	about ¥15
	Optimizing back-office functions	over ¥2.0	over ¥2.0
Acceleration of business selection and concentration		over ¥2.0	over ¥5.0
Transformation of Office Printing business structure	Production and Development JV	over ¥4.0	over ¥4.0
	SCM optimization	over ¥3.0	over ¥3.0
Acceleration of Office Services growth	Structural reforms in group companies	over ¥10	over ¥23
<b>Total</b>		over ¥36	over ¥52

## Effects progress to date

- Acceleration of Business selection and concentration: Decision made to **exit PLAiR and other businesses**
- Structural reforms in group companies: **Further structural reforms implemented overseas**
- Decision made to implement a **Second Career Support Program\* in Japan**

## Latest one-time cost

- One-time cost :  
¥10 billion → **¥33 billion**  
(All incorporated into FY2024 forecast)
  - Acceleration of Business selection and concentration: +¥4.0 billion
  - Structural reforms in group companies: +¥3.0 billion
  - Second Career Support Program\*: +¥16 billion

\*Refers to an early retirement program only in Japan

## Accelerating Profit Growth

Seeing growth signs such as stable growth in recurring revenue, wins from AI technology of natif.ai and DocuWare integration, and adoption to METI's project 'GENIAC'

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- Areas where we have made significant progress are highlighted in blue.
- In R&D optimization, we are on track to save 30 billion yen on a cash basis and reduce costs by 15 billion yen on the income statements by fiscal 2025. Back-office function optimization is also progressing as planned. We are accelerating business selection and concentration with our decision to halt the development of PLAiR, a new plant-based material, and exit that business. We have also decided to withdraw from several other businesses. Although these moves will incur additional one-time costs, we expect savings of 5 billion yen by fiscal 2025.
- In our efforts to transform the Office Printing business structure, our joint venture with Toshiba Tec, ETRIA, is progressing well in production and development. Supply chain management optimization is also on track. Structural reforms at Group companies are primarily overseas. These initiatives have incurred additional costs of 3 billion yen, but we now anticipate savings to expand from an initially forecasted 10 billion yen to 23 billion yen. As part of domestic structural reforms, we announced the Second Career Support Program. This program will incur a one-time cost of 16 billion yen, with expected savings of 9 billion yen. These savings will support various other initiatives, such as headquarters transformation and accelerating business selection and concentration.
- As a result, we have raised our combined expected effects from these initiatives from over 36 billion yen to over 52 billion yen.
- While these 52 billion yen in effects do not include Office Services earnings growth, we are accelerating that growth by focusing on select areas and reallocating resources to expand our services business. Our emphasis on recurring revenue in Office Services has led to a 16% year-on-year sales increase. Our investments are also bearing fruit. By integrating the artificial intelligence of natif.ai, acquired in April, into DocuWare's products and services, which support enterprise document and content management, we are generating new value and winning more deals.
- Additionally, the Ministry of Economy, Trade, and Industry selected us for the GENIAC project, which aims to bolster Japan's domestic generative AI development capabilities. Let me briefly outline Ricoh's contributions to this project. Japanese companies often store text, images, tables, and other knowledge assets in various formats and locations. Using our multimodal large language model technology, we enable companies to access and utilize these resources effectively and efficiently with AI. Our selection for this project reflects our long-standing expertise in handling office information. These examples demonstrate positive outcomes from our investments in Office Services and AI technology.

**Context**

- Strengthening the talents required for a digital service company, while **optimizing organizational structures in each region**
- As part of this initiative, in addition to structural reforms overseas, **a Second Career Support Program\* is implemented in Japan.**  
Aiming to **transition to a more optimal structure as a digital service company**

**Overview of the program**

**Training of IT/Data experts (Ricoh Digital Academy)**

- **Aiming to strengthen the skills of all employees** by providing learning opportunities and evaluating skills through Digital Expert certifications (internal IT qualifications) **\*Trained over 3,800 employees as of end of September**

**Reskilling Programs**

- **Strengthening talents required for a digital service company**
  - Digital Professionals: Driving revenue generation at customer touchpoint (AI specialist, SE)
  - Process Digitalization Experts: Contributing to operational efficiency through process digitalization

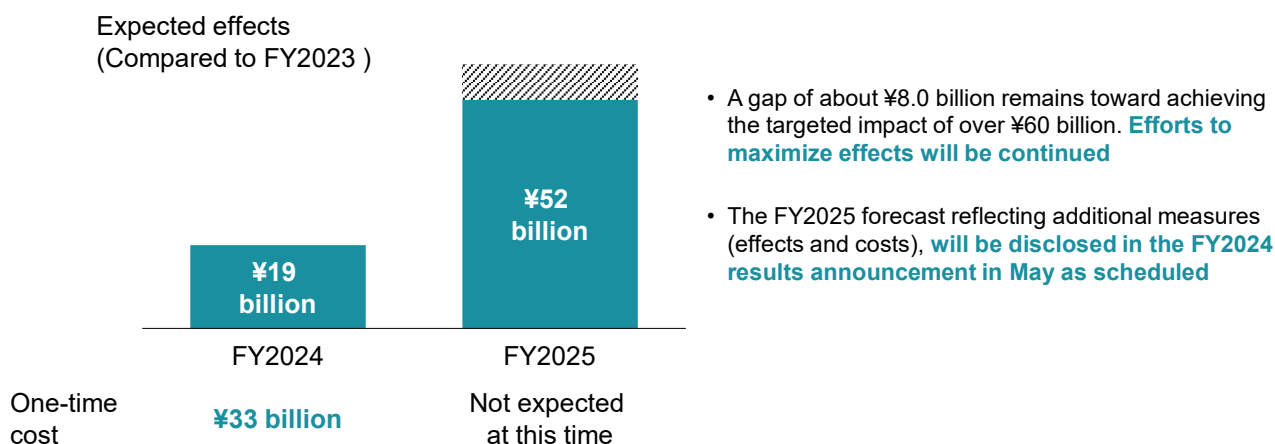
**Second Career Support Program Overview\***

<b>Number of Applicants</b>	Approximately 1,000 people
<b>Application period</b>	October 1, 2024 to February 28, 2025
<b>Retirement date</b>	March 31, 2025 (planned)
<b>One-time cost</b>	<b>About ¥16 billion</b> incorporated into FY2024 forecast
<b>Impact</b>	Expecting cost savings of about <b>¥9.0 billion</b> in FY2025 (included in existing initiatives' impacts)

- We are also making steady progress with our ongoing human capital initiatives.
- On September 12, 2024, we announced the launch of our Second Career Support Program in Japan, a voluntary retirement initiative that is a cornerstone of our human capital efforts.
- The left side of this slide highlights our IT and data utilization training program through the Ricoh Digital Academy. The program aims to enhance employee digital literacy through in-house Digital Expert certifications. This is expertise that can be widely applied outside the company. Many employees have participated and successfully passed examinations. In addition, we have rolled out reskilling programs to develop AI engineers, systems engineers, and process digitalization specialists—roles that are essential for current and future business growth—thereby strengthening the talent required for business advancement.
- We launched the Second Career Support Program to offer career paths that align with shifts in the current operating environment, including the need to cultivate talent in these areas. The number of applicants is to be around 1,000, with the application period from October 1 through the end of February next year. This program will incur a one-time cost of 16 billion yen, with anticipated savings of 9 billion yen in fiscal 2025.
- Our human capital initiatives are ongoing. As customer needs evolve and digital technologies advance, the necessary skill sets must also adapt. We will continue implementing initiatives to update and develop the skills required to keep pace with these changes.

## Expected effect and one-time cost from Corporate Value Improvement Project

The latest estimated effect is ¥52 billion.  
Will continue efforts to achieve over ¥60 billion in total effects.



- In fiscal 2024, we are front-loading expenses, incurring a one-time cost of 33 billion yen against expected effects of 19 billion yen. A range of structural reforms will bear fruit in fiscal 2025, adding 33 billion yen to the 19 billion yen in fiscal 2024 effects, for total projected effects of 52 billion yen.
- We are targeting around 60 billion yen in effects from structural reforms, so we will continue working to close the remaining 8 billion yen gap. We plan to present our outlook for fiscal 2025 alongside the full-year results for fiscal 2024.
- Thank you for your time and attention. We appreciate your continued support and encouragement.

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- a. General economic conditions and business trends
- b. Exchange rates and fluctuations
- c. Rapid technological innovations
- d. Uncertainty as to Ricoh's ability to continue to design, develop, produce and market products and services that achieve market acceptance in intensely competitive markets

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**Note: These materials define fiscal years as:**  
FY2024 (or fiscal 2024) = Fiscal year ended March 31, 2025, etc.