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May 24, 2018
Ricoh Company, Ltd.

118th Ordinary General Meeting of Shareholders Agenda Item 3 (Election of Eight Directors)
Supplementary Explanation Regarding Candidate 1: Yoshinori Yamashita

Ricoh has confirmed that proxy advisory firm Institutional Shareholder Services Inc. (ISS) has recommended a vote against the reappointment of Yoshinori Yamashita as a Candidate 1 under Agenda Item 3 (Election of eight (8) Directors) at the 118th Ordinary General Meeting of Shareholders on June 22, 2018. ISS based this recommendation on its view that Ricoh's return on equity (ROE) of less than 5% over the past five years average and in the year ended March 31, 2018.

Ricoh has explained and discussed its situation and initiatives with ISS. Ricoh understands that the ISS's recommendation was automatically triggered based on its guidelines.

After factoring out extraordinary one-time losses, expenses, and gains, Ricoh has effectively boosted ROE as a result of management and governance reforms that Mr. Yamashita has led, thereby enhancing shareholder value. Mr. Yamashita's strong leadership is essential to pursuing corporate reforms so Ricoh can consistently remain highly profitable, and the Company accordingly believes that he should continue to contribute to the management of the Company as a director.

We prepared the following materials to help shareholders reach their own conclusions.

1. Grounds for the ISS Recommendation

ISS assigns responsibility to Mr. Yamashita as Ricoh's top executive for the Company failing to meet ISS guidelines mandating a five-year average ROE of at least 5% as a condition of ISS recommending a vote in favor of an incumbent chief executive.

Ricoh's ROE over the past five fiscal years ended March 31

2014	2015	2016	2017	2018	Five-year average
7.6%	6.5%	5.8%	0.3%	▲ 13.9%	0.5%

2. Ricoh's Stance

Upon his appointment in April 2017, Mr. Yamashita broke from the past in initiating RICOH Resurgent to drive the Company's growth in the medium and long term and enhance corporate value. RICOH Resurgent is designed to eliminate impediments to growth, reform the cost structure and business processes, cultivate and expand growth businesses, and overhaul management systems by pursuing structural reforms, formulating growth strategies, and endeavoring to strengthen corporate governance.

The Company believes that it can fulfill its responsibilities to shareholders under Mr. Yamashita's leadership by continuing to move forward with new reforms and growth strategies and generate corporate value over the medium and long term.

Ricoh believes Mr. Yamashita deserves reappointment for four reasons, explained in more detail hereafter:

(1) Ricoh's results declined in the year ended March 31, 2018, owing to one-time factors that have positioned the Company for a stronger future
(2) The shareholder value has improved since Mr. Yamashita became CEO
(3) Management has and is implementing clear growth strategies
(4) The Company is proactively improving corporate governance and shareholder engagement

(1) Ricoh's results declined in the year ended March 31, 2018, owing to one-time write-downs that have positioned the Company for a stronger future

With Mr. Yamashita as CEO, Ricoh has consolidated its production network, pared down model development, and instituted structural reform measures, including streamlining headquarters and back office operations. Cost structure reforms have already borne fruit. Management is reviewing operations and assets to concentrate resources on growth businesses, as part of which it has partially divested shares in the electronic devices business, transferred a hotel business, and sold its stake in Coca-Cola Bottlers Japan Holdings Inc.

The Company posted an operating loss of ¥115.6 billion in the year ended March 31, 2018. The operating loss included a structural reform charge of ¥31.5 billion, ¥5.2 billion in Ricoh India-related expenses, and ¥175.9 billion in impairment losses on goodwill and other assets.

The impairment losses stemmed from business structure changes in keeping with a strategic shift to pursue new growth. Under the 19th Mid-Term Management Plan, which started in April 2017, the Company doubled the number of reporting segments to six to align business management to its business strategies. Management built a framework to fine-tune monitoring of each of these segments. As a result of impairment tests for each segment, Ricoh posted impairment losses including the assets of IKON Office Solutions, Inc., which it acquired in 2008, and of mindSHIFT Technologies, Inc., which it bought in 2014.

After excluding impairment losses and other one-time costs and earnings, Ricoh's operating profit for the year ended March 31, 2018, was ¥86.0 billion. This improvement was the result of measures to maintain selling prices in the office equipment business, lower manufacturing costs, generate gains from structural reforms, and expand growth businesses. These measures laid the groundwork for growth over the medium and long terms. Management anticipates a performance turnaround for the year ending March 31, 2019, when it looks for ¥80.0 billion (Operating profit excluding one-time expenses: ¥97.4 billion) in operating profit and a return on equity exceeding 5%. After excluding extraordinary factors, operating profit bottomed out in the year ended March 31, 2017, and has steadily increased (see the table below).

■Performance over past five years ended March 31 (based on U.S. GAAP through year ended March 31, 2013, and International Financial Reporting Standards thereafter)

Years ended March 31; Billions of yen	2014	2015	2016	2017	2018	2019 (Forecast*1)
ROE	7.6%	6.5%	5.8%	0.3%	-13.9%	5.0%以上
Profit (loss) attributable to owners of the parent*2	¥72.8	¥68.5	¥62.9	¥3.4	(¥135.3)	¥47.0
Operating profit (loss)	¥120.3	¥115.7	¥102.2	¥33.8	(¥115.6)	¥80.0
One-time charges after excluding extraordinary factors	¥11.0 *3	–	–	¥27.0 *4	¥201.5 *5	¥17.4 *6
Operating profit after excluding extraordinary factors	¥131.3	¥115.7	¥102.2	¥60.8	¥86.0	¥97.4

*1: Forecast for year ending March 31, 2019, announced on April 27, 2018

*2: Profit (loss) attributable to owners of the parent

*3: ¥11.0 in structural reform charges

*4: Comprising ¥10.6 billion in structural reform charges, ¥6.9 billion in Ricoh India-related expenses, and ¥9.5 billion in impairment costs

*5: ¥11.1 billion in one-time gains subtracted from total of ¥31.5 billion in structural reform charges, ¥5.2 billion in Ricoh India-related expenses, and ¥175.9 billion in impairment losses

*6: ¥17.4 in structural reform charges

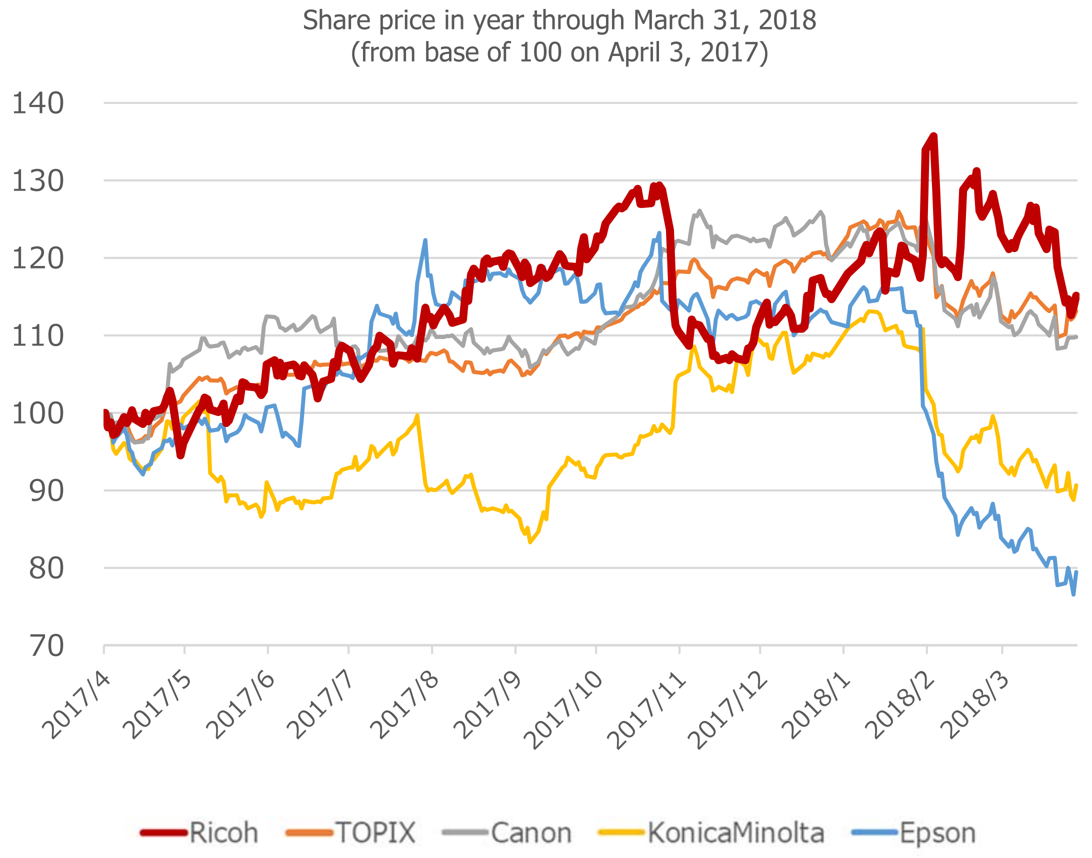
(2) The shareholder value has improved since Mr. Yamashita became CEO

In the year ended March 31, 2018, Ricoh registered a negative return on equity of 13.9%, reflecting impairment and other losses. At the same time, the capital markets have recognized that the impairment losses were a necessary one-time write-down to put Ricoh back on a growth track, and have held positive views of the structural reforms instituted in the year under review and underlying improvement in results.

The share price has generally outperformed the TOPIX index since Mr. Yamashita became CEO in April 2017. In the year to March 31, 2018, the share price increased 15%, two percentage points more than TOPIX. The share price also outperformed those of other leading companies in the same industry (see graph below).

The total shareholder return* during that period was a solid 16.7%, against declines of 8.0% and 13.1% in that benchmark in the years ended March 31, 2016, and 2017, respectively.

*Total shareholder return = (share price at end of term +annual dividends) divided by share price at start of term



(3) Management presented and is implementing clear growth strategies

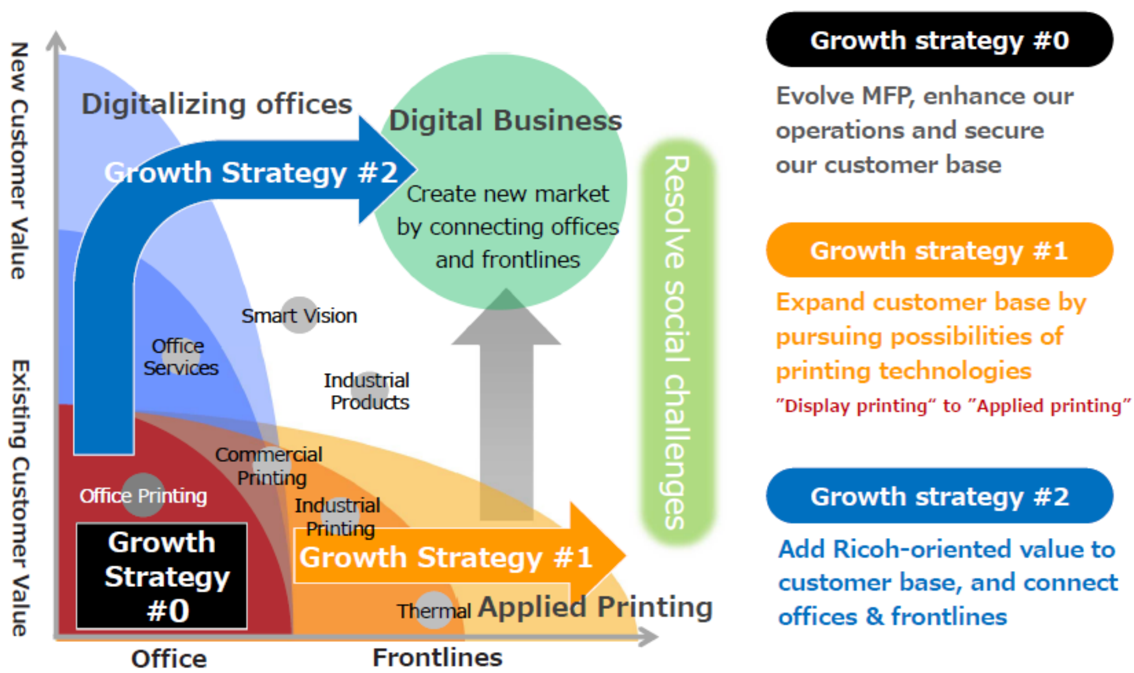
Management unveiled RICOH Ignite in February 2018 as its growth strategy for the medium and long terms.

The strategic objective of the 19th Mid-Term Management Plan is to pursue profitability over scale expansion in the core Office Printing and Office Services businesses so that the Company can focus investment of the resulting cash in growth areas and transform the Group business structure. Under RICOH Ignite, the Company is pursuing three growth strategies that harness its strengths.

The first is Growth Strategy #0, which encompasses existing office businesses, management believes that it can improve to generate cash flow by reviewing resource allocations and operations.

Under Growth Strategy #1, Ricoh is cultivating the potential of printing technology accumulated through Growth Strategy #0 to expand a customer base that extends from offices to frontlines.

Under Growth Strategy #2, the Company will deliver unique value to its Growth Strategy #0 customer base, where its greatest strengths lie, to further connect offices and frontlines and create new markets.



Ricoh will use cash generated from Growth Strategy #0 to invest in growth strategies #1 and #2 and transform the business structure. For the year ending March 31, 2020, management targets ¥100 billion in operating profit and an ROE of 6.9%. Goals for the year ending March 31, 2023, are ¥185 billion in operating profit and an ROE of more than 9%, which would be record highs.

(4) The Company is proactively reinforcing corporate governance and shareholder engagement

With Mr. Yamashita newly at the helm, Ricoh set about reinforcing corporate governance and transparency in the year under review.

The first decision was to halve directorship terms to one year, subject to approval at the ordinary general meeting of shareholders (see agenda item 2: Partial amendments to the Articles of Incorporation). The Company also instituted a system in which the Nomination Committee selects and names directorship candidates and annually selects directors.

Based on these director appointment and assessment reforms, the Company is proposing the appointment of eight directors, including Mr. Yamashita, at the upcoming ordinary general meetings of shareholders. Among the candidates are Mr. Yamashita and 3 other inside director nominees and 4 outside director nominees. If all candidates are approved, independent outside directors would account for 50% of the board, up from the current 40%. The addition of one non-executive director to the board means that more than 60% of members of that body will engage in oversight without executive roles.

Our independent outside director candidates have exceptional records and experience, as directors of other companies, as members of administrative agency committees, and as university professors. The Company believes that these individuals will enhance the effectiveness of a structure that supervises management through wide-ranging deliberations. The Chairman of the Board is a non-executive director who mediates among independent outside directors and executive directors and draws on experience as an executive to ensure effective executive oversight.

Half or majorities of the Nomination and Compensation committees, including, are outside directors. These bodies fairly and rigorously evaluate the CEO and executive structure. We draw on assessments based on highly transparent processes to ensure that the management structure pursues sustainable growth.

Also, Ricoh terminated conventional advisor system, and revised it to the Nomination Committee approves appointments former executives as advisors, etc. where necessary, such as with regard to external activities.

Management set up the Governance Review Meeting to undertake comprehensive assessments and deliberations in liaision with directors and auditors, dislosing summaries of its deliberations in corporate governance reports.

These initiatives under the leadership of Mr. Yamashita will further enhance governance and transparency.

In light of such factors as accounting irregularities at foreign subsidiary Ricoh India in 2015, the Company reinforced management supervision and strengthened the implementation management system under RICOH Resurgent. In particular, management acted to limit the Group’s exposure to losses at Ricoh India and prevent such a situation from recurring by deciding to provide no further financial support to that subsidiary and by reviewing internal and management structures to strengthen global governance. Management took what happened at Ricoh India very seriously, as part of which it required executive directors, executive officers, and former CEO reimburse the Company for part of their remunerations.

Mr. Yamashita has ensured that the Company engages far more with shareholders since his appointment. While executives held eight engagement meetings with domestic and overseas institutional investors in the fiscal year before his appointment, the number of such sessions expended to 55 in the year ended March 31, 2018.

Mr. Yamashita’s robust leadership is essential to steadily implementing the 19th Mid-Term Management Plan and transforming Ricoh so that it can consistently remain highly profitable. The Company believes that he should continue to contribute to the management of the Company as a director.

Ricoh hopes that our shareholders find this supplementary explanation useful in evaluating and exercising your voting rights. Please contact the Investor Relations Office if you need any clarification.

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