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Notice Regarding a Revision of a Stock-based Incentive System for Directors of Ricoh

Ricoh Company, Ltd. (“the Company”) today announced that it has been decided at a meeting of the Board of Directors held today, March 6, 2023, to revise the existing Stock-based Incentive System with Stock Price Conditions (“the System”) for the Company’s Directors (*1). The following contents are subject to change depending on future considerations.

The revision of the System is to be proposed at the 123rd Ordinary General Meeting of Shareholders scheduled to be held in late June 2023.

In conjunction with the revision of the System, the Company plans to make similar revisions to the Stock-based Incentive System with Stock Price Conditions for executive officers, etc. (*2).

(*1) Directors of the Company, excluding Outside Directors, Non-Executive Directors, corporate auditors, and others who are independent of the execution of business operations.

(*2) Executive Officers, etc. who have entered into employment or delegation contracts with the Company.

1. Revision policy for this System

This System revision is aimed to further strengthen our awareness of the shared interests and risks with the Company’s shareholders, and demonstrate the Company’s commitment to enhancing shareholder value, including Ricoh’s sustainable growth and appropriate shareholder returns (*3).

The revised content is as follows.

1. Change the delivery timing of Company shares, from the time of retirement to during tenure. Through this change, the Company will strive to strengthen sharing of benefits and risks with shareholders.
2. Change the performance evaluation indicator for determining the number of shares to be delivered from the stock price growth rate to Total Shareholder Return (TSR) growth rate and the achievement rate of ESG targets. Through this change, the Company will strive to strengthen the linkage between management responsibility for increasing shareholder value and achieving sustainable development targets and stock-based compensation.
3. Change the period subject to performance evaluation from the tenure of each eligible Director to three consecutive fiscal years (the first cycle is from April 1, 2023 to March 31, 2026). The Company will strive to further foster a foundation for sustainable growth by raising awareness of the contribution toward medium- to long-term performance and corporate value enhancement through this change.

A proposal is scheduled to be submitted to the 123rd Ordinary General Meeting of Shareholders to be held

in late June this year regarding the above mentioned changes. In addition, based on the policy to further increase the ratio of variable remuneration linked to shareholder value and business performance (performance-linked bonus, remuneration for the purpose of acquiring shares, and stock-based remuneration under the System) with an emphasis on improving corporate value and shareholder value over the medium to long term, the proposal will also include the maximum amount of remuneration for Directors under the System to be 200 million yen. Furthermore, as described below in 2.(4)(i), the maximum number of points to be granted to Directors at 200,000 points, both corresponding to the new performance evaluation period.

The original System before these revisions, which was approved at the 119th Ordinary General Meeting of Shareholders will, in principle, suspend granting new points after September 1, 2023, and the Company shares corresponding to the accumulated points will be delivered upon retirement in accordance with the provisions of the original System.

The revised System will also incorporate a provision that allows the Company to restrict the payment of stock-based compensation to Directors who, during their term of office, engage in materially inappropriate conduct that causes damage to the Company, subject to necessary procedures such as a resolution by the Board of Directors.

(*3) The Company has established a Compensation Committee, whose principal members are Outside Directors and Non-Executive Directors, as an advisory body to the Board of Directors. The Committee deliberates on changes to this System and ensures the transparency and objectivity of the decision-making process and results related to the compensation system.

Major revisions:

Item	Before the revision	After the revision
Persons eligible for this System	Directors, Executive Officers, etc., of the Company residing in Japan	Directors, Executive Officers, etc., of the Company, including those residing outside of Japan
Criteria for granting points	Point numbers vary according to positions and differences between Ricoh's share price and the TOPIX growth rate during the tenure.	Determined based on the job grade and the differences between the Company's TSR growth rate and the respective TSR growth rates of TOPIX and peer group companies for three consecutive fiscal years (hereinafter referred to as the "Performance Evaluation Period"), as well as the results of the ESG target achievement rate (hereinafter referred to as the "Company's Performance")
Time of delivery of shares	At the time of retirement	In principle, during tenure (after the end of each Performance Evaluation Period commencing on April 1 of each year)

2. Outline of the System after revisions

(1) Structure of the System

This System is a stock-based compensation system under which a trust established by monetary contribution from the Company (hereinafter referred to as the "Trust") acquires the Company's shares, and the Company's shares corresponding to the number of points granted by the Company to each Director are delivered to the relevant Director through the Trust.

In principle, Directors will receive the Company's shares after the end of the performance evaluation period, and

the number of shares to be delivered will be designed to vary between 0% and 200% of the base number of shares depending on the Company's performance during the performance evaluation period.

Image of the process from point grant to stock vesting:

Start year	Event \ Calendar year	Year X	Year X+1	Year X+2	Year X+3	Year X+4	Year X+5
X	Right granted	☆					
	Performance evaluation period						
	Right allotment (granting points determined, stock vesting)				★		
X+1	Right granted		☆				
	Performance evaluation period						
	Right allotment (granting points determined, stock vesting)					★	
X+2	Right granted			☆			
	Performance evaluation period						
	Right allotment (granting points determined, stock vesting)						★

(2) Maximum amount of trust money to be contributed to the Trust as share acquisition fund for Directors

The Company will make an additional contribution of up to a total of 200 million yen to fund the acquisition of the Company shares necessary to deliver the Company shares corresponding to the respective performance evaluation period to the Directors under the System. The Company will continue the Trust with Directors who meet certain requirements as beneficiaries. The Trust will acquire the Company's shares from the stock exchange market (including off-floor trading) using the money entrusted by the Company as the source of funds.

Note: The amount of money entrusted by the Company to the Trust will be the sum of the abovementioned acquisition fund of the Company's shares and the estimated amount of necessary expenses such as trustee fees and trust administrator fees.

(3) Acquisition method of the Company's shares by the Trust, etc.

The acquisition of the Company's shares by the Trust is planned to be made from the stock exchange market within the maximum amount of the share acquisition funds mentioned in (2) above. The details of the acquisition method will be determined and disclosed after the resolution of the 123rd Ordinary General Meeting of Shareholders scheduled to be held in late June this year.

(4) Calculation method and maximum amount of the Company's shares to be granted to Directors

(i) Method of granting points to Directors, etc.

In accordance with the rule of performance shares determined by the Board of Directors of the Company, the Company will grant each Director a number of points calculated in accordance with the Company's performance during the performance evaluation period, based on the number of points determined for each grade of service on the point grant date stipulated in the rule of performance shares during the trust period.

The total number of points to be granted to Directors as the number corresponding to the respective performance evaluation period shall be limited to 200,000 points.

(ii) Delivery of the Company shares in proportion to the number of points granted

Directors will receive delivery of the Company's shares in accordance with the procedure described in (iii) below in proportion to the number of points granted in (i) above. One point is equal to one share of the Company's share. However, if an event occurs for which it is reasonable to adjust the number of shares to be delivered, such as a stock split or reverse stock split, the Company's shares will be adjusted accordingly.

(iii) Delivery of the Company's shares to Directors

Delivery of the Company's shares described in (ii) above to each Director will be made from the Trust upon the Director's completion of the prescribed procedures to determine beneficiaries. However, a certain percentage of the Company's shares may be sold and converted into cash by the Trust, for the purpose of the Company to

withhold income tax and other taxes, and then delivered in cash in place of the Company's shares. In addition, in the event that the Company's shares in the Trust are converted into cash, such as when the Company's shares in the Trust are tendered to a tender offer and settled, the shares may be delivered in cash in place of the Company's shares.

(5) Exercise of voting rights

Voting rights pertaining to the Company's shares held in the Trust should not be exercised uniformly based on the instructions of the Trust Manager, who is independent of the Company and its officers, to ensure the neutrality of the exercise of voting rights pertaining to the Company's shares held in the Trust with respect to the Company's management.

(6) Handling of dividends

Dividends on the Company's shares in the Trust will be received by the Trust and used to pay for the acquisition of the Company's shares and the Trustee's trustee compensation for the Trust.

(7) Treatment of the Company's shares and money at the termination of the Trust

Out of the residual assets of the Trust at the termination of the Trust, a certain amount of money is planned to be donated to a specified public interest promotion corporation that has no conflict of interest with the Directors, as provided in the rule of performance shares and the Trust Agreement in advance.

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