

**19<sup>th</sup> Mid-Term  
Management Plan  
Review & 20<sup>th</sup> Mid-  
Term Management  
Plan Outline**

**March 27, 2020**

**Jake Yamashita**  
**President and CEO**  
**Ricoh Company, Ltd.**

## Tackle emergency by strengthening corporate structure and accelerating growth

### Current State

#### ■ Supply Chain

(Procurement / Production)

- Japan/China : Most production lines are back on track
- Europe : Mandatory stoppage at governments' request
- NA/Asia : Normal
- SCM : Inventory distributed to each market.  
Optimizing inventory based on sales volume

#### ■ Sales/Services

- ✓ Economic and business activities at standstill worldwide, causing delays in deals and deliveries
- ✓ Decline in customer document volumes

#### ■ Operations

- ✓ Enhanced prevention of epidemic, promoting remote work

### Response Policy

#### Emergency Response

- ✓ **Develop emergency plan (Plan B) to enhance earnings power**  
(Implement in-house digital revolution, optimize resources and locations, business selectivity, etc.)

#### New Needs Response

- ✓ **Changing work practices and emerging needs on medical and educational frontlines**

# Growth Strategy Positioning

Slide From  
IR-Day  
April 11, 2019

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## Greatly improved ability to generate cash to fund investment

<Target>  
**Dramatically improved cash flows**

- Structural reforms: From scale to profitability
- Prioritize growth businesses: Deployed strategies leveraging our strengths
- Reinforce management systems: Undertook top-down reforms

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**Tackled impairment charges, business selectivity, and governance reforms**

	Forecast	Target
Operating profit	<b>¥100.0 billion</b> (Forecast at Q3)	Above <b>¥100 billion</b> (Fiscal 2019)
Structural reform savings	<b>¥105.0 billion</b> (Forecast at Q3)	Above <b>¥100 billion</b> (From fiscal 2016)
FCEF*	<b>¥172.9 billion</b> (Through Q3)	Above <b>¥100 billion</b> (Over three years)

\* Free cash flow excluding finance business

# Structural Reforms by Top Down Approach

## Reviewed 5 major principles and implemented structural reforms

### Cost Structure Reforms

- ✓ Focused development, streamlined production sites (In-house manufacturing)
- ✓ Optimized sales structure in North America
- ✓ Streamlined headquarters and back office functions
- ✓ Impairment (IKON, mindSHIFT, etc.)

### Business Process Reforms

- ✓ Improved services and supported productivity by enhancing features in MFPs
- ✓ Promoted cost reduction through automated production systems
- ✓ Improved efficiency of business processes by promoting worldwide RPA (Robotics Process Automation) activities

### Pursued Selectivity

- ✓ Assessed and clearly segmented businesses ~ there were no “sacred cows”
- ✓ Stopped financial support in Ricoh India

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# Business Selectivity Initiatives

**Assessed and clearly segmented businesses  
~ there were no 'sacred cows'**

**Offering growth potential with internal resources**

**Allocated resources and achieved growth**

Pushed ahead under  
growth strategies

**Offering growth potential albeit that resources were insufficient**

**Leveraged external capital and technology alliances  
to augment and strengthen resources**

- Semiconductors
- Logistics
- Leasing

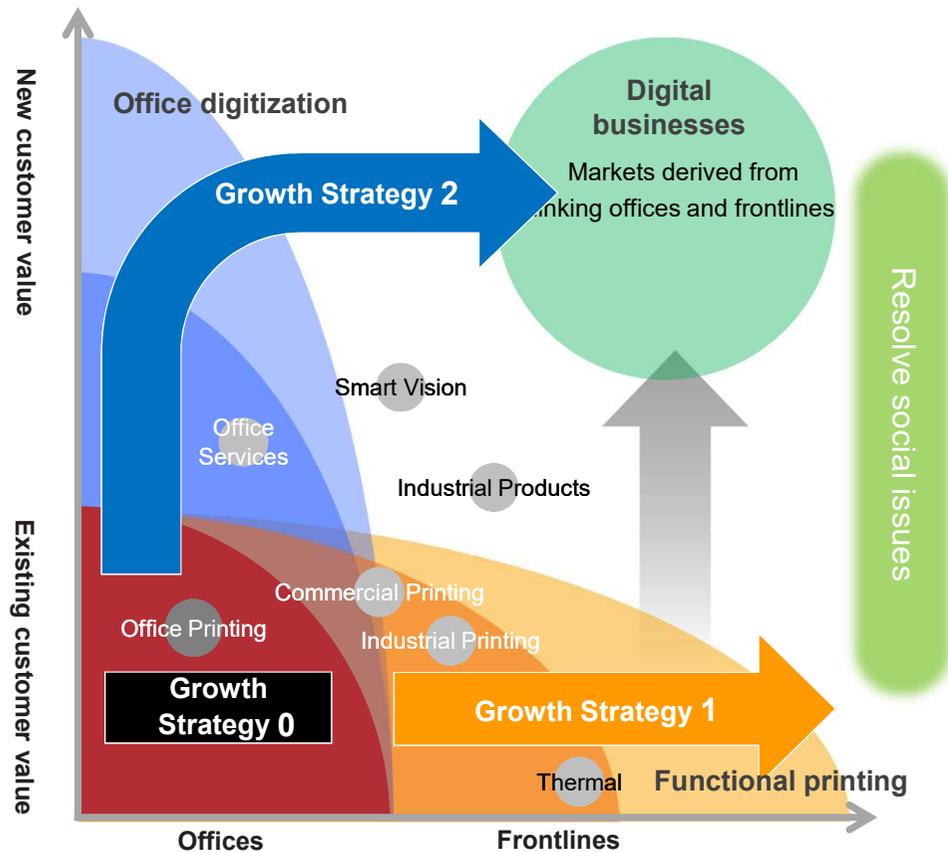
**Businesses offering few synergies with other operations and little growth  
potential with internal resources**

**Sold businesses and reviewed shareholdings**

- Tourism
- Coca-Cola Bottling Japan
- Cross shareholdings

# Growth Strategies: Ignite

Enhanced earnings in core businesses  
and steadily expanded the profits of growth businesses



- Growth Strategy 0** Extensively restructured and cut costs and managed pricing to regain profitability
- Growth Strategy 1** Greatly improved commercial and industrial printing profitability; these areas will drive growth
- Growth Strategy 2** Identified customer needs and presented value-added solutions to a solid customer base, getting on track for growth
- Pursue new prospects** Began supplying offerings such as indoor photovoltaic modules, DNA standard plates, and lighting and air conditioning control systems

# Growth Strategy: Business Domain Update

Almost all businesses reached their growth targets and improved earnings

Growth Strategy	Segments	Positioning <target>		CAGR (FY2016→FY2019*)	Operating margin (FY2016→FY2019*)	
0	Office Printing	Earnings Generator	<Maximize Profit>	- 4%	8.5%	→ 10%
	Commercial Printing	Next Earnings Generator	<High Profitability>	- 1%	10.1%	→ 15%
1	Industrial Printing	Future Earnings Engine	<Aggressive Investment>	+ 26%	- 28.8%	→ - 9%
	Thermal	Stable Earnings Engine	<Sound Growth>	+ 4%	10.1%	→ 7%
2	Office Services	Growth Earnings Generator	<Proactive Investment>	+ 9%	- 1.6%	→ 5%
	Other	Industrial Products				
		Smart Vision	Earnings Improvement	<Become Profitable>	- 3%	- 1.6%
	Finance, etc.					

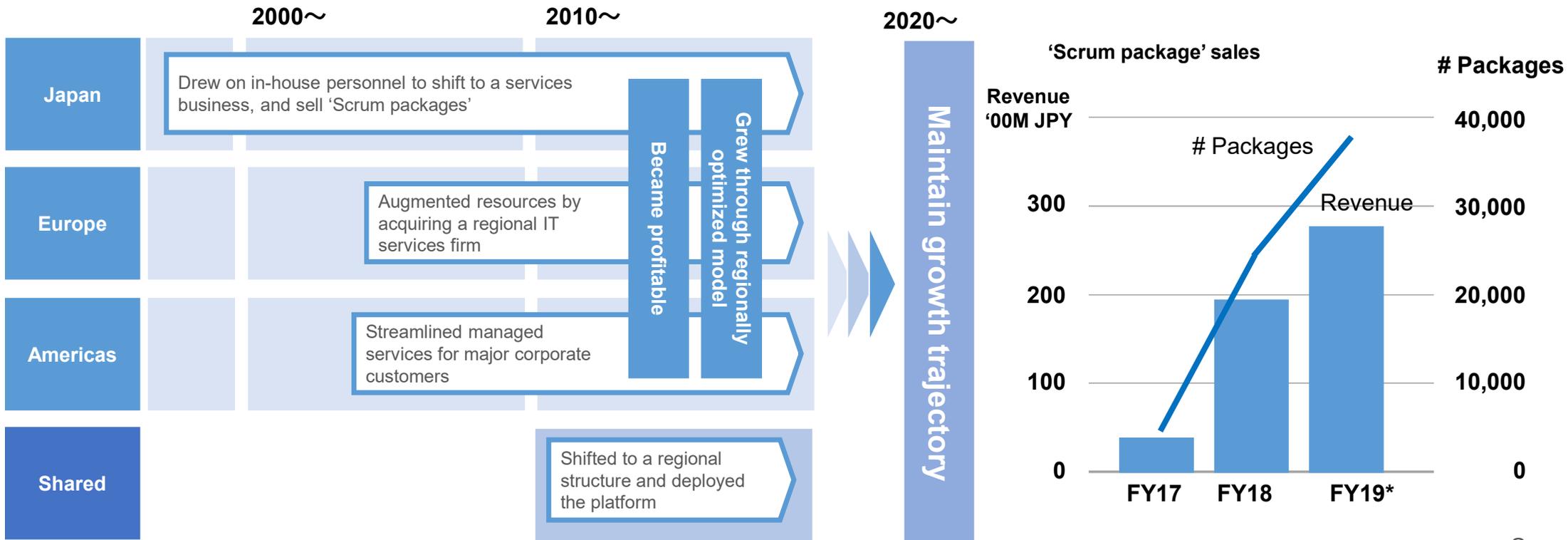


## Identified customer needs. Leveraged Ricoh's strengths.

Became profitable in fiscal 2017 through focused efforts to measure profitability in 11 key countries

Drove growth, particularly in IT services, by securing capabilities matching local requirements.

Harnessed Ricoh Smart Integration platform to sow seeds for business expansion (launched 141 apps under that platform)



\*Forecasts as of Q3 FY2019

# ESG Initiatives – Governance

## Rapidly implemented governance reforms in line with that of a global company

### Principles

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### Implementation

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**Improve corporate value and stakeholder value by deploying a sound risk management approach**

- ✓ 1 year term of service for Board of Directors members
- ✓ Established appraisal system for internal Board of Directors members
- ✓ Implemented share-based reward system
- ✓ Established Risk Management Committee/Investment Committee/ESG Committee

**Enhance independence of supervisory and audit functions**

- ✓ Halved both external and non-operational Board of Directors members
- ✓ Strengthened independence of audit process
- ✓ Regular audits of balance sheets of overseas subsidiaries by headquarters
- ✓ Strengthened internal audit and reviewed process of selection for auditors of overseas subsidiaries

**Proactive disclosure**

- ✓ Established governance study committee
- ✓ Strengthened investor relations/shareholder relations function (Hosted Investor Relations Day)

## Industry leader on the environment

### Key decisions under the 19<sup>th</sup> Mid-Term Management Plan

- FY17 Apr First Japanese company to commit to RE100, a collaborative, global initiative of influential businesses
- FY18 Aug Committed to recommendations of the Task Force on Climate-Related Financial Disclosures (disclosed risks and opportunities in July 2019)
- FY18 Oct Signed the Japan Climate Action Summit declaration
- FY19 Aug First Japanese company to take part in Business for Inclusive Growth initiative (B4IG)
- FY19 Mar Science Based Targets Initiative (SBTi) approves Ricoh's New Environmental Goals which align with their 1.5° C criteria

### Environmental contributions

#### Decarbonization

Greenhouse gas emissions scope 1,2 reductions **19%\***  
(vs. FY15)

#### Circular economy

Product resource conservation rate **22%\***

\*Forecasts as of Q3 FY2019

# Towards the 20<sup>th</sup> Mid-Term Management Plan

2020~2022

**Lift Off**

- ✓ From an office automation equipment manufacturer to a **Digital services company**
- ✓ Improve capital returns and expand corporate value sustainably

2018~2019

**Ignite**

Improve profitability and strengthen governance

2017

**Resurgent**

Review five major principles and reform earnings structure

Through 2016 Optimizing MFP business structure in line with changing operating climate hampered management

From an Office automation equipment manufacturer to a

## Digital services company

A company that supports workers' creativity and provides services to meet changing workplaces

### Transform our assets to become our strengths

1 Customer base (office printing)	Customer: 1.4M companies Devices in the field: 4.0M units (direct only)
2 Wide-spread customer contacts	Field technicians : 11,000
3 Human resources with digital skills	16,000
4 IT partners globally	4,000 companies

- Why now?
- Increased use of digital technologies e.g. 5G and Artificial Intelligence (AI)
  - Expanded use of IoT technology (cloud based storage on MFPs)
  - Growing corporate requirements to meet the needs of diverse workstyles

## Focus on sustainable corporate value

< Basic Principle >

**Sustainably enhance corporate value  
by delivering solutions to address social challenges**

**Harness self-motivated  
employees**

**Strengthen  
competitiveness**

**Enhance capital returns**  
(Strengthen operating infrastructure)

- ✓ For office customers, build recurring revenues from office services
- ✓ Generate solutions from our in-house digital revolution practices

- ✓ Monitor profitability in each business using ROIC (Optimize corporate structure)
- ✓ Capital policies to optimize capital structure

# 20<sup>th</sup> MTP Targets

## Set an ROE target to enhance corporate value

Ricoh Lift Off  
Target

ROE above **9%** in FY22

Above 10% from FY23  
(21<sup>st</sup> MTP)

### Financial KPIs to achieve ROE target

Profit attributable to owners  
of the parent

Adjusted operating profit

(Operating profit + equity in earnings of affiliates)

ROIC : Above **7%**

### Stakeholder targets\*

\*From ESG targets

Customers

Customer survey scores

Partners

Partner scores

(Suppliers, dealers, and development partners)

Employees

Employee engagement scores

Society

Decarbonization: GHG scopes 1 and 2\*\*

Circular economy: Product resource  
conservation rate

Shareholders

ROE: Above **9%**



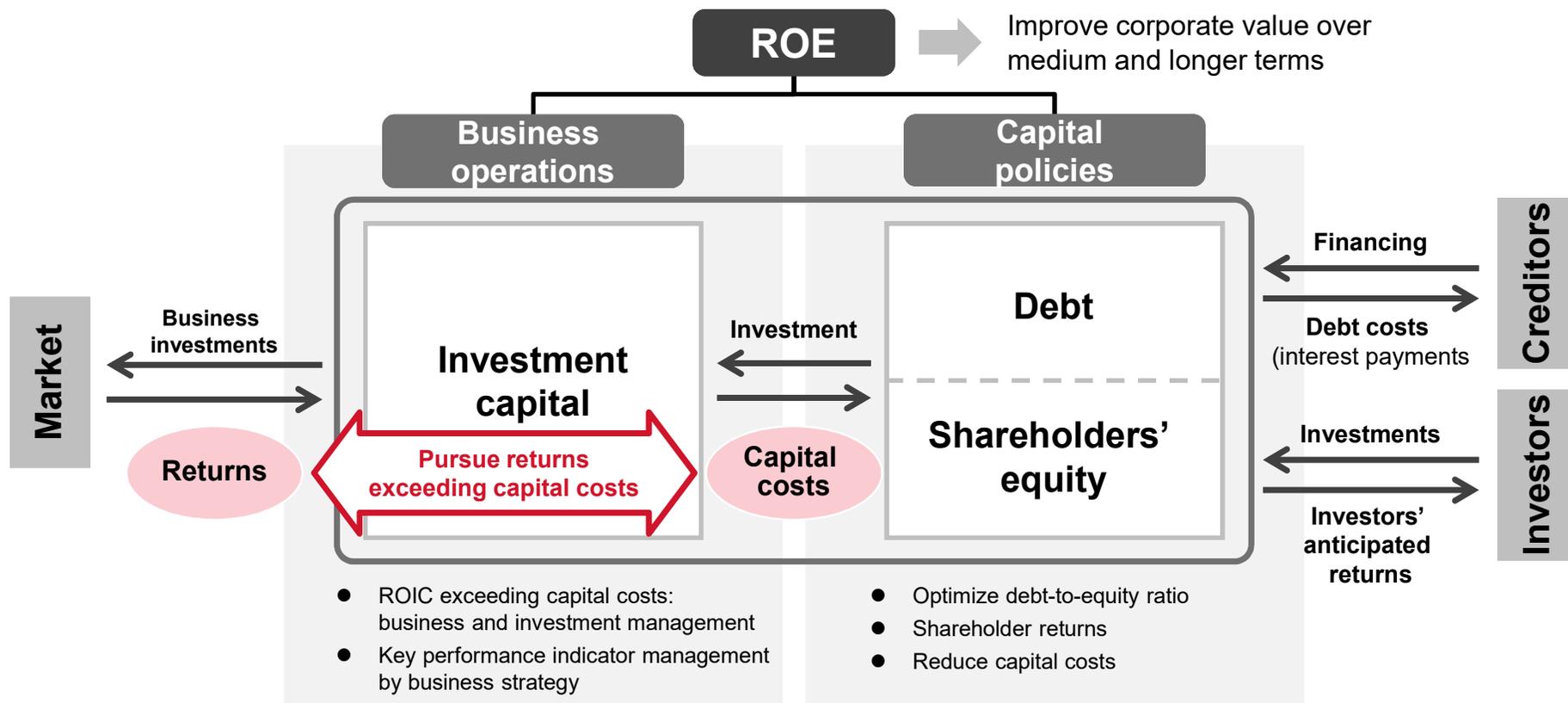
# Enhancing Capital Returns

# Principles to enhance Capital Returns

Slide From  
IR-Day  
April 11, 2019

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**Balance ROIC-based business management and capital policy to deliver growth and enhance capital returns**

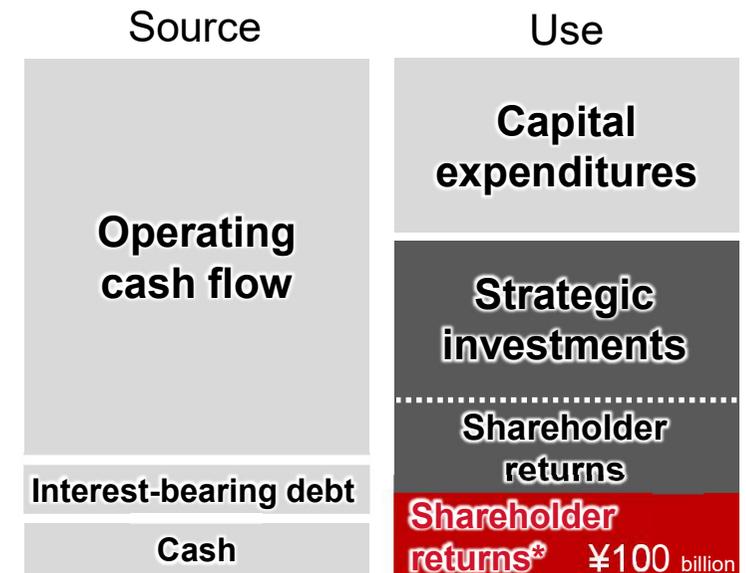


## Implement capital policies to sustain corporate growth

### 20<sup>th</sup> Mid-Term Management Plan Capital Policies

- ① Prioritize generating and clarifying the use of cash
- ② Fund R&D, capital investments and strategic, and shareholder returns with cash generated by operating activities
- ③ Leverage debt without compromising financial discipline in investing strategically
- ④ Produce appropriate corporate value by optimizing capital structure

### Cash flow framework under the 20<sup>th</sup> Mid-Term Management Plan



\*under 19<sup>th</sup> Mid-Term Management Plan

# Transfer of Ricoh Leasing shares

Build a strong financial base and prepare for changes in the economy or finance

## Why we sold the shares

### Ricoh Leasing's perspective

- Strengthen/expand our business for further growth
- Foster partnerships to gain strengths in additional areas

### Ricoh group's perspective

- Shift our resources from non-core businesses (Finance) to growth areas like Office Services and Commercial Printing
- Enable flexible and agile activity to enhance capital returns by optimizing the balance sheet
- Reduce risks generated from financial assets with off-balancing

### Balance Sheet impact from the transfer

	FY19 Q3	After the transfer
<b>Gross assets</b>	Approx. <b>¥2.9</b> Trillion	Approx. <b>¥1.9</b> Trillion
<b>Debt with interests</b>	Approx. <b>¥1.0</b> Trillion	Approx. <b>¥180</b> Billion

# Shareholder Returns Policy

## Shift our shareholder returns policy from a payout ratio to a returns ratio

### Shareholder returns policy under the 19<sup>th</sup> Mid-Term Management Plan

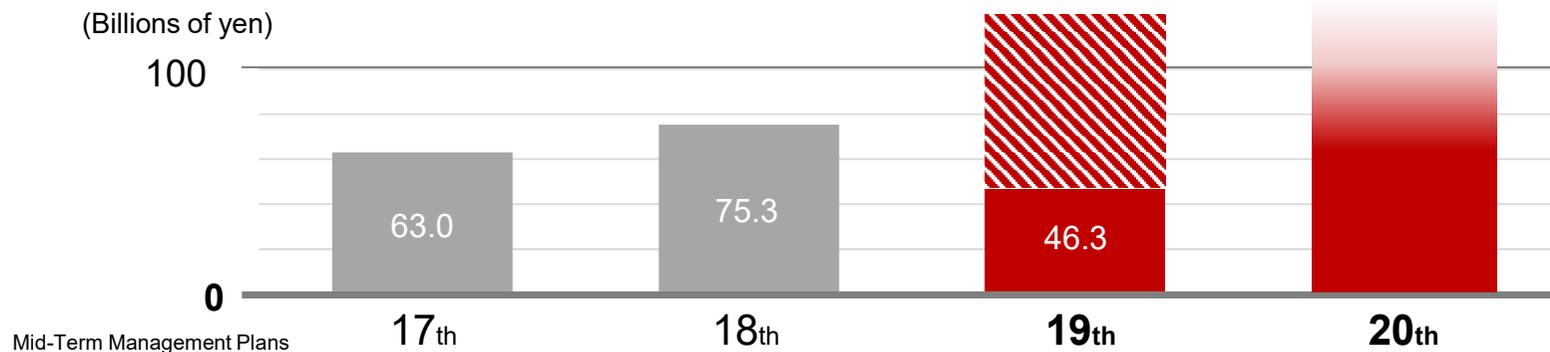
- Targeting 30% consolidated payout ratio
- Flexibility to buy back shares in line with operating conditions

### Shareholder returns policy under the 20<sup>th</sup> Mid-Term Management Plan

- Satisfy shareholders by prioritizing total returns ratio
- Explore flexible capital policies for surplus funds based on generating stable shareholder returns while enhancing capital returns

### Total returns under the mid-term management plans

**March 27<sup>th</sup>: ¥100 billion in shareholder returns**  
under the 19<sup>th</sup> Mid-Term Management Plan



# ROIC-Based Operations

## Shift focus from flow management to capital efficiency-based ROIC management

Overall **ROIC** goal under the 20<sup>th</sup> Mid-Term Management Plan **Above 7%**

Companywide ROIC formula = 
$$\frac{\text{NOPAT* + Equity in earnings of affiliates}}{\text{Shareholders' equity + Interest-bearing debt (invested capital)}}$$

### To date

Earnings-centric business management

Inadequate links between companywide results and business management

Unclear capital returns of businesses

### From 20<sup>th</sup> Mid-Term Management Plan

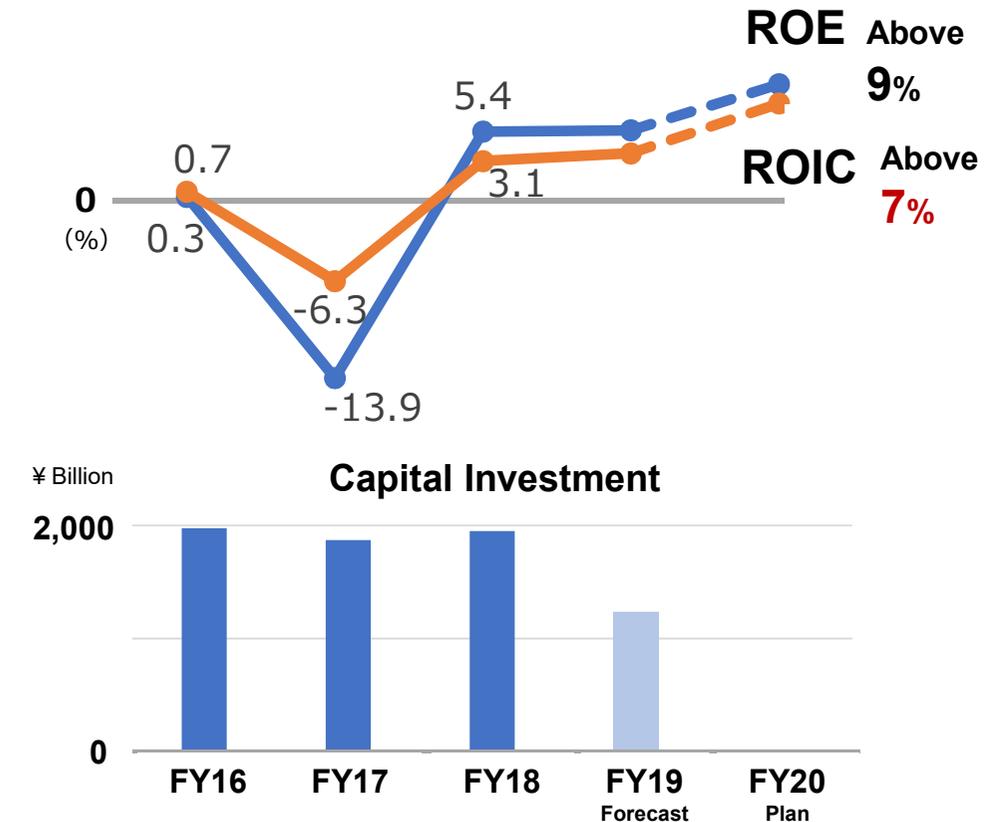
Business management reflecting balance sheets and capital returns

Link business management to companywide ROIC gains

Evaluate businesses based on capital returns

\*NOPAT: Net Operating Profit after Tax

ROE · ROIC · Capital Investment Trend



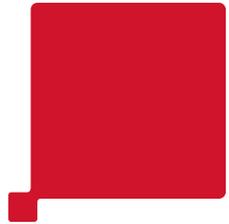
**Relentlessly work to improve corporate value  
under the 20<sup>th</sup> Mid-Term Management Plan**

**ROE Above 9% in FY22**

**Realize ROE to above 10% at the end of 21<sup>th</sup> MTP**



# Long-Term Vision



## 2036 Vision

# Fulfilment through Work



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# Forward-Looking Statements

The plans, prospects, strategies and other statements, except for the historical events, mentioned in this material are forward-looking statements with respect to future events and business results. Those statements were made based on the judgment of Ricoh's Directors from the information that is now obtainable. Actual results may differ materially from those projected or implied in such forward-looking statements and from any historical trends. Please refrain from judging only from these forward-looking statements with respect to future events and business results. The following important factors, without limiting the generality of the foregoing, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

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

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**Note: In this document, fiscal years are defined as follows:**

FY2019 = Fiscal year ended March 31, 2020, etc.

## Structure of results briefing materials

Ricoh reviewed the structure and contents of its results briefing materials in light of feedback at its April 2019 IR Day. Please refer to these and appended supplementary materials. Results briefing materials present progress with strategies and measures for the Company overall and each business segment. Results supplementary materials present additional financial data.