

**Overview of Results
for Six Months Ended
September 30**

**Challenges and
Direction**

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October 27, 2016
Zenji Miura
President & CEO
Ricoh Company, Ltd.

- The forecasts we presented in disclosing our first half results of this year reflected an extremely challenging outlook.
- It was against that backdrop that we formulated the 19th Mid-Term Management Plan, which will start in April 2017.
- Today, I will outline the challenges we need to tackle and our future direction.

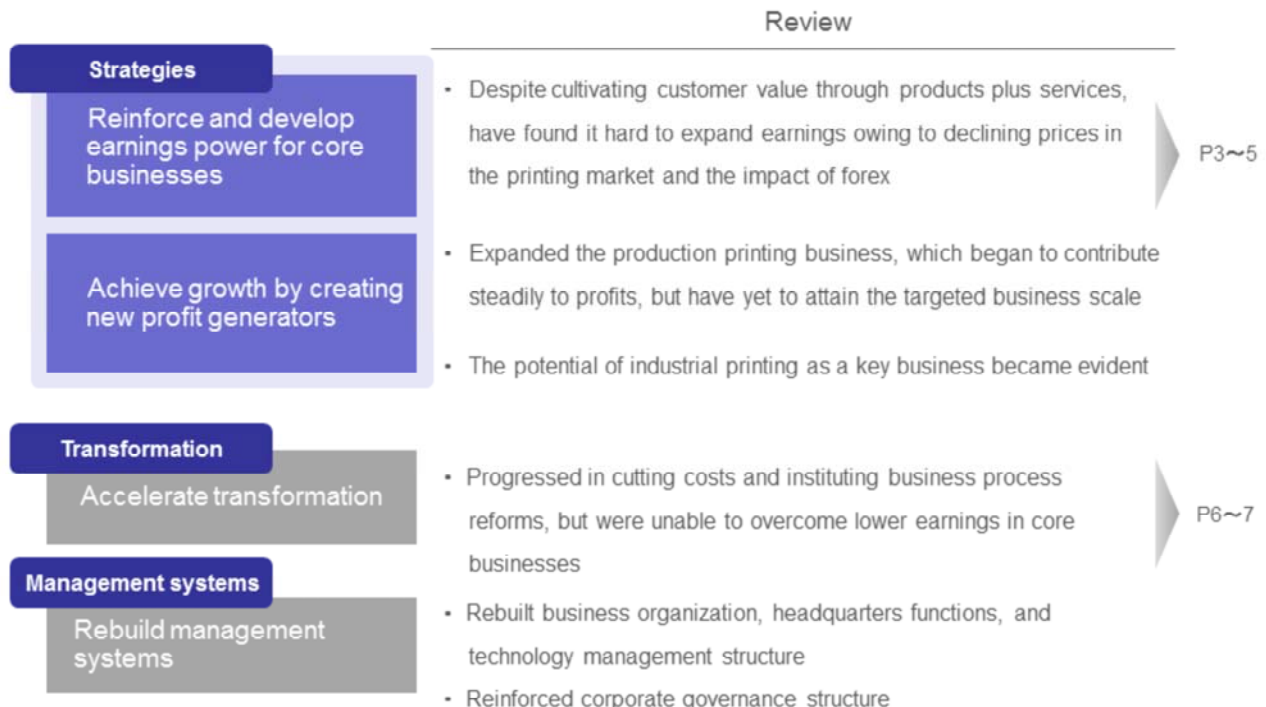
1. Review of 18th Mid-Term Management Plan

2. Future Direction

- Growth Strategies
- Structural Reform Initiatives

- I will begin by reviewing our 18th Mid-Term Management Plan.
- I will thereafter explain our direction in view of our progress to date.

- ◆ Generate growth through concerted reforms that encompass strategies, management systems, and transformation



- Under the 18th Mid-Term Management Plan, which started in April 2014, we sought to deploy two basic strategies to drive long-term progress for Ricoh and growth through integrated reforms to our management systems and structure.
- The first strategy was to reinforce and develop earnings power for core businesses, through which we set about offering products plus services, which are strengths for Ricoh. Although we are progressing as envisaged, we have continued to face difficulties, reflecting such factors as declining prices in the printing market and the impact of forex.
- In new businesses, we have yet to attain the targeted business scale despite these operations beginning to contribute steadily to profits.
- At the same time, our potential has become evident in the industrial printing market, where we are leveraging our proprietary inkjet printing technologies.
- While we progressed with structural reforms and reinforcing management systems, we were unable to overcome lower earnings in core businesses.
- I will therefore detail our core businesses and structural reforms a little more.

- ◆ Expand customer value by delivering products plus services that combine Ricoh's strengths in imaging equipment, Visual Communications (including projectors, interactive white boards, and unified communication system), and information technology services



- First, our goal in core businesses has been to expand customer value by delivering products plus services that combine our strengths in imaging equipment, Visual Communication solutions, including projectors, our interactive white boards, and unified communication system (videoconferencing systems), and information technology services.
- In providing products plus services, we proposed new communication approaches and work styles to our customers.

Products plus services



- Deploy workflow solutions through next-generation MFPs
- Cultivate value with new visual communication offerings

Sales and service network



- Global direct sales and service network
- Strengthen vertical sales structure

Challenges

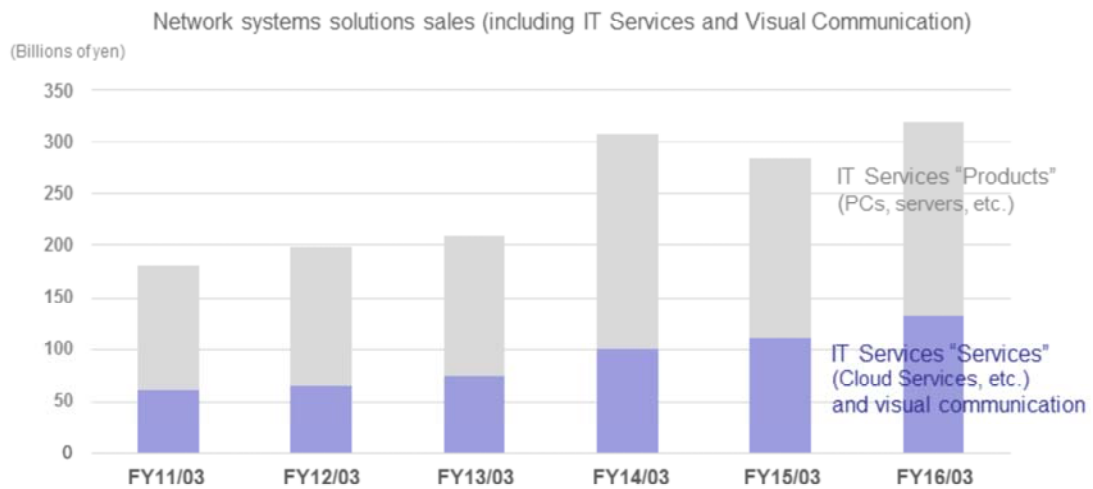
- Have yet to establish a business structure that can expand customer value in deploying products plus services faster than printing market prices decline

- In MFPs, one measure to deliver products plus services was to release models from May this year that incorporate large full-color touch panels that enhance operating comfort.

The touch panels make it simple to download diverse applications from the cloud, and can help streamline customers' business processes.

- We propose new work styles in the Visual Communication area. Because customer needs differ, we reinforced our sales structure to specialize in healthcare, education, and other fields.
- We recognize the need to transform our business structure in view of falling market prices.

- Expand services business structure by strategically acquiring IT Services companies



Challenges

- Have yet to globally optimize overall operations in keeping with business scale

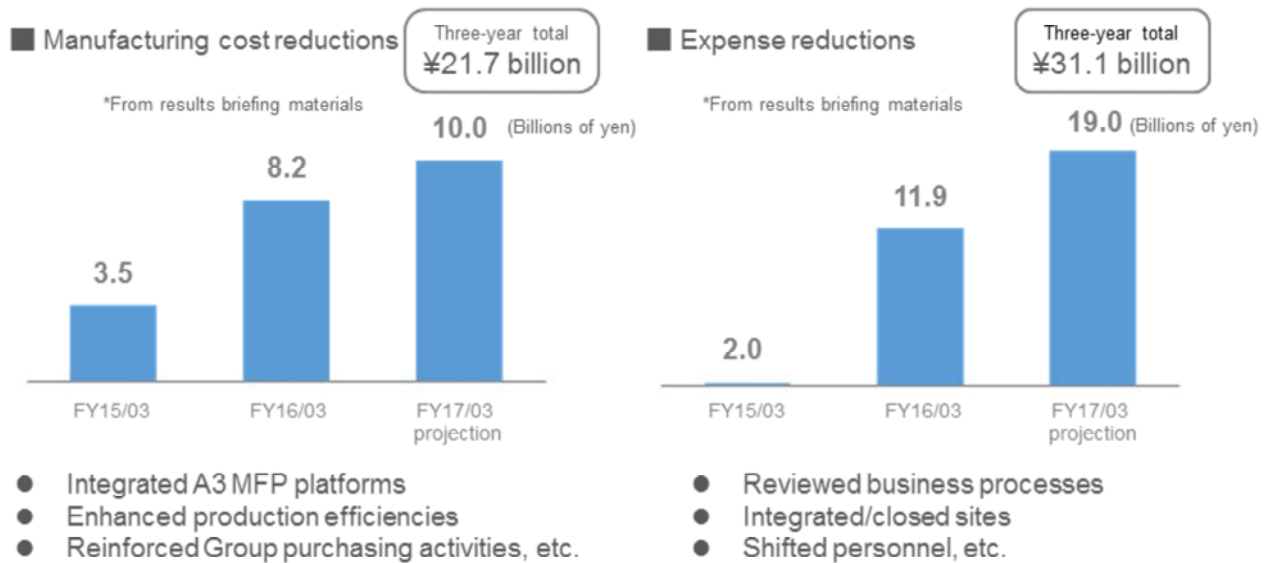
- In network system solutions, we expanded our IT services business, centered on acquisitions overseas, to become a ¥300 billion operation.
- That said, we have yet to efficiently integrate and share human resources, infrastructure, and other assets obtained through acquisitions. We plan to do so to globally optimize overall operations.
- We believe that we will enjoy major earnings improvement opportunities from such optimization.

◆ Structural reforms matching market changes (intensifying competition/customer changes)

Area	Overview	
Sales and maintenance services	Sales process review	Optimized sales structure
	Maintenance process review	Streamlined maintenance services by using common service parts
Engineering development and production	Production site and role review	Reduced number of domestic recycling sites from 18 to 5
	Development site and process review	<ul style="list-style-type: none"> • Cut development costs by using common platforms • Brought software development people in-house
Headquarters functions	Business process review	Outsourced indirect operations, etc.
Personnel optimization	Shifting people into growth areas	Shifted people by optimizing personnel allocations
Business divestments	Divesting or withdrawing from noncore businesses	Divested San-Ai swimwear business
Asset reviews	Continuing to review asset portfolio	Sold business premises in Ginza, Tokyo

- We also undertook structural reforms to reinforce the profitability of core businesses. This slide presents the key reforms we have already undertaken under the 18th Mid-Term Management Plan.
- In engineering development, for example, we have rationalized development processes by using common platforms for our key MFPs will pushing ahead with cost-cutting by bringing outsources software development operations in-house.
- We optimized headquarters functions by outsourcing IT management to optimize human resources.
- On the sales front, we reinforced our non-face-to-face sales structure to streamline sales processes.
- In maintenance services, we progressed with multitasking for customer engineers.
- In terms of production sites, we reduced the number of domestic recycling sites from 18 to 5.
- On top of that, in fiscal 2015 we divested the noncore San-Ai swimwear business and sold business premises in Ginza, Tokyo, as part of asset reviews and other ongoing structural reform efforts.

◆ Delivering value and cutting costs by undertaking structural reforms



Need to accelerate activities in view of dramatically changing business climate

- As a result of the Group structural reform initiatives I just described, we lowered manufacturing costs by ¥21.7 billion while reducing expenses by ¥31.1 billion.
- Still, as our results for the second quarter show, these cuts are insufficient. So, we need to accelerate our structural reforms.

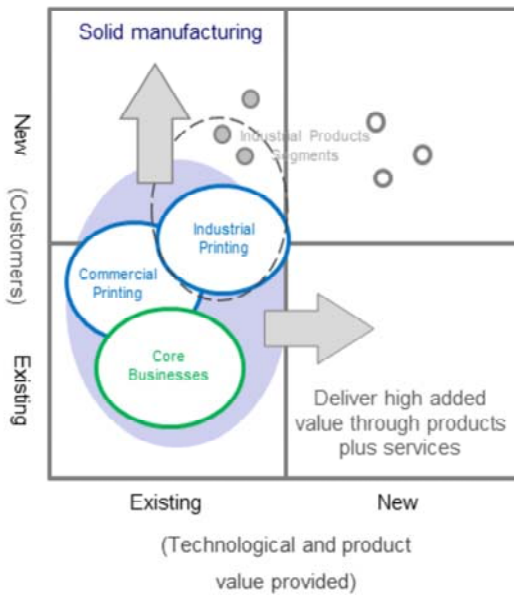
1. Review of 18th Mid-Term Management Plan

2. Future Direction

- **Growth Strategies**
- **Structural Reform Initiatives**

- I will now explain our future direction.

- ◆ Growth strategies for three key businesses centered on core competencies
 - Expand customer value by combining product plus services strengths

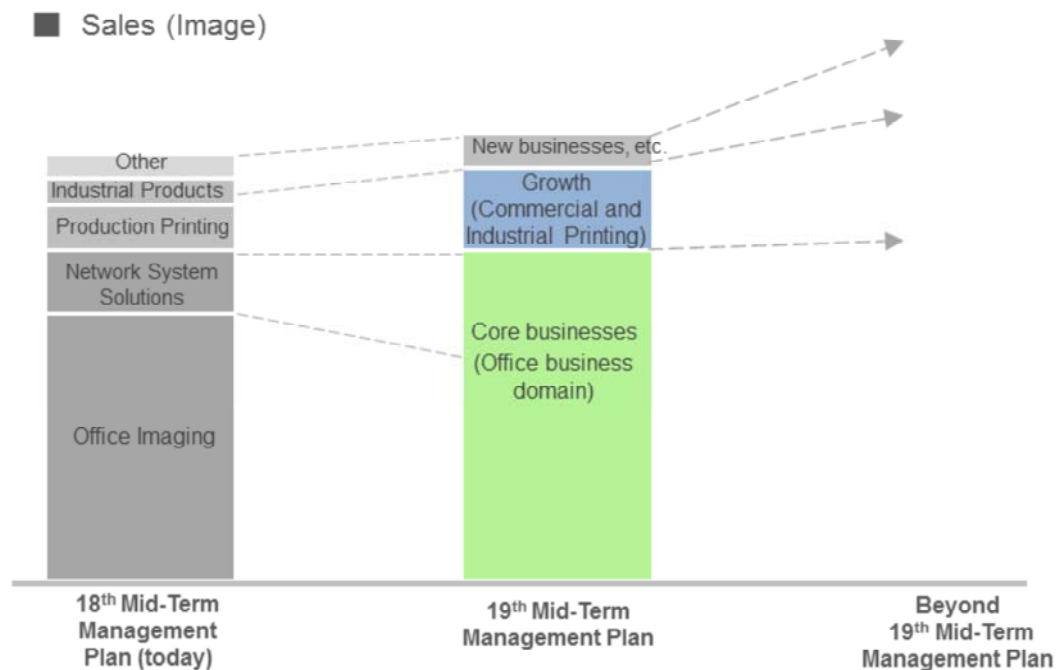


Growth direction	
Core businesses	Reinforce profitability of core businesses <ul style="list-style-type: none"> ➢ Accelerate and strengthen support for workstyle changes <ul style="list-style-type: none"> ➢ Specialize in creating solid products plus services ➢ Further reinforce deployment capabilities
Commercial printing	Concentrate management resources to generate steady growth <ul style="list-style-type: none"> ➢ Accelerate Offset-to-Digital and Offset-plus-Digital strategies ➢ Expand value by providing end-to-end services
Industrial printing	Concentrate management resources to generate solid growth <ul style="list-style-type: none"> ➢ Offer competitively superior inkjet head lineup ➢ Expand print systems business ➢ Reinforce collaborations with external partners

- Our growth direction is to prioritize three business fields that can leverage our core competencies.
- Augmenting our core businesses are the increasingly large commercial and industrial printing businesses. We are first focusing on printing.



- ◆ Changing sales composition to become a highly profitable enterprise



- This is how sales from our three priority businesses look.
- We will offset a downward trends in Office Imaging sales through gains in Visual Communication and IT services to keep reinforcing core businesses.
- At the same time, we will expand our commercial and industrial printing businesses to become second and third operational pillars. The industrial printing business encompasses printing on diverse media, including wallpaper, apparel, and label packaging.
- The height of the graph is for illustrative purposes only but indicates the direction that management is pursuing.

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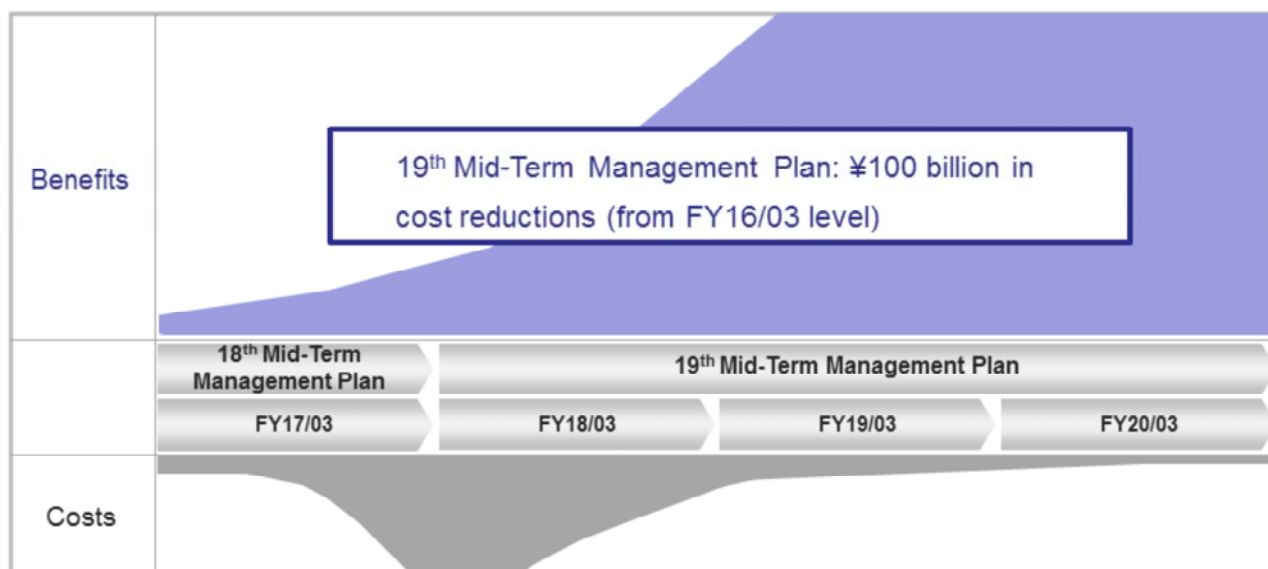
- Growth Strategies
- **Structural Reform Initiatives**

- Finally, I will outline additional and accelerated reform initiatives.

Area	Overview	
Sales and maintenance services	Review sales channels	Optimize direct and indirect sales structure to match regions and business model
	Cut service costs	Roll out next-generation models that enhance service quality and efficiency
	Consolidate back offices	Integrate shared service centers (globalize as per European example)
Engineering development and production	Consolidate models developed	Review product portfolio
	Reorganize sites	<ul style="list-style-type: none"> • Cease production at two sites globally by March 2018 • Shifts/consolidations at Research and Development Center in Yokohama
	Accelerate cost-cutting	<ul style="list-style-type: none"> • Boost productivity through automation • Accelerate mass production cost reductions
Support functions (Corporate)	Shift personnel	Relocate headquarters and indirect operations people to interact more closely with customers and strengthen growth businesses
	Reorganize offices	Divest Ginza headquarters and relocate to Omori facilities
	Review headquarters functions	Halve number of headquarters people

- From the second half of this fiscal year, we will add new initiatives and accelerate our efforts in view of our current recognition of issues and growth strategy deployments.
- On the sales, front, for example, we will optimize our direct and indirect sales structure to match regions and our business model.
- In maintenance services, we will roll out next-generation MFPs to automate customer support and remote diagnostics, thus dramatically reducing service costs.
- We consolidated back office operations in 23 European nations at four shared service centers, and will globalize such integration as per the European example.
- In engineering and production, we will consolidated the number of models developed through product portfolio reviews that include printers.
- We will cease production at two sites globally by March 2018. We will boost productivity through automation and accelerate mass production cost reductions.
- We will relocate headquarters and indirect operations people to interact more closely with customers and strengthen growth businesses. We will also halve the number of headquarters people and relocate our Ginza headquarters to Omori.

- ◆ In light of rapid changes in the business environment, step up structural reform efforts, bringing them forward from the second half of fiscal 2017



- As a result of these reform efforts, under the 19th Mid-Term Management Plan we look to cut costs by a total of ¥100 billion over three years from the fiscal 2016 level.
- In light of rapid changes in the business environment, we will step up structural reform efforts, bringing them forward from the second half of fiscal 2017, with these efforts costing around ¥11 billion.
- We expect to incur greater expenses in fiscal 2018, through which we should swiftly materialize reform benefits.



Initiatives to drive further growth

**Swiftly reform structure and reinforce profitability
of core businesses**

Position growth businesses as key earnings drivers

- We will swiftly reform our business structure and reinforce the profitability of core businesses to drive further growth.
- We will simultaneously position growth businesses, notably our commercial and industrial printing operations, as key earnings drivers.



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