

# **RICOH** **Ignite**

**Growth Strategy:  
Update on actions**

October 26, 2018

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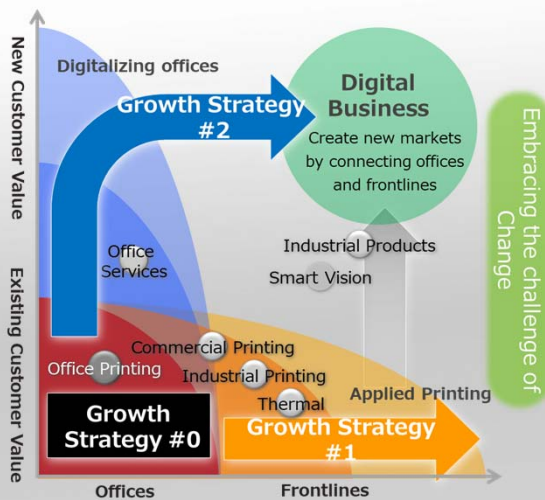
- Completed structural reforms
- Business prioritization around growth strategy domains
- Reformed governance
- Reinforced management structure

- Full deployment of growth strategies
- Reform management to underpin growth strategy plan

- I will start my presentation by discussing progress in our growth stages.
- Under RICOH Resurgent, we took four key steps in FY2018/03 (fiscal 2017).
- We entered a new growth stage in FY2019/03 (fiscal 2018), and have undertaken two measures to reinforce our management foundations.



At the quarterly results briefing we will also report on the progress of our growth strategies.



**Challenge**  
**“Self-sufficiency”**  
**Practice “OPEN”**

- RICOH Ignite, which we announced on February 6 this year, comprises growth strategies #0, #1, and #2.
- I reported on progress with Growth Strategy #0 when we presented our first-quarter results in July. Today, I my report will focus on progress with growth strategies #1 and #2.
- I am to discuss our efforts to get away from being so self-sufficient to accelerate business speed.

# Addressing stakeholder concerns

✓ How will Ricoh's Growth Strategies deliver a ¥185B profit by 2022?

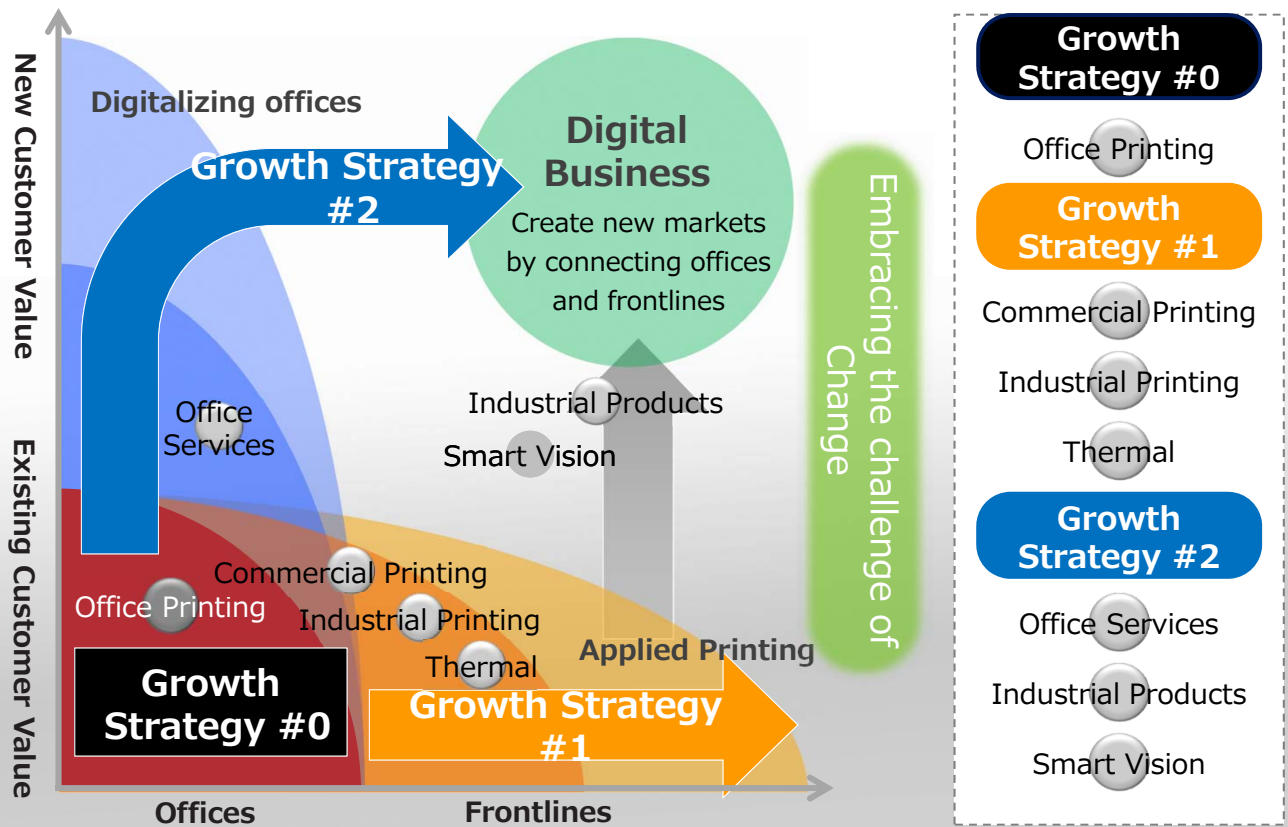
How does Ricoh propose growing its commercial printing business when the market itself seems stagnant?

✓ Competitors are also focusing on industrial printing, so how will Ricoh differentiate itself?

✓ What is your plan to expand your digital business under your Growth Strategy 2?  
(Product, Services, Market Size, Strengths etc.)

How is your ¥200B investment fund being spent?  
How can you be sure ¥200B is enough?

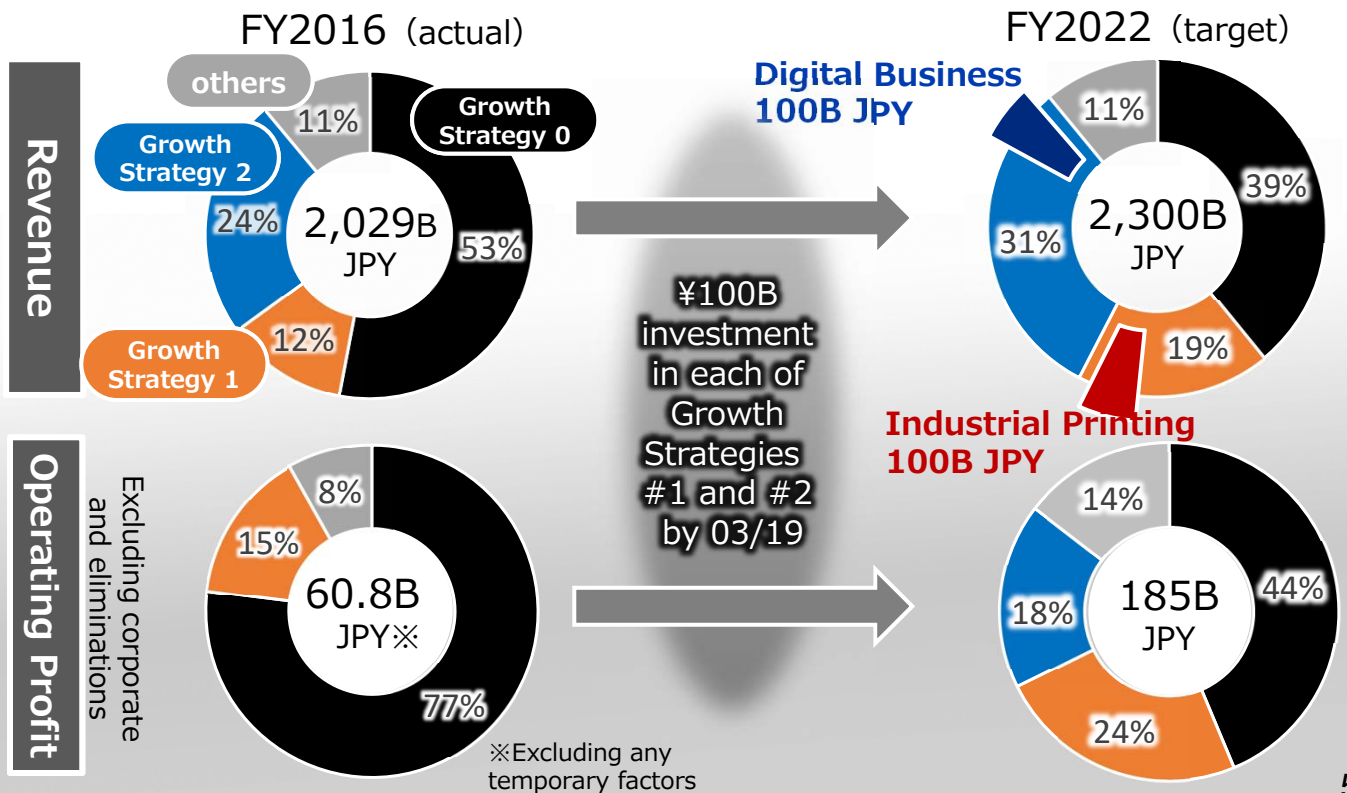
- Before explaining progress with our growth strategies, I will share some of the questions that investors, analysts, and others have asked us in the course of engaging with them.
- The first relates to how we are structured to deliver 185 billion yen in operating profit by FY2023/03 (fiscal 2022).
- The second is why we think that we can succeed under Growth Strategy #1 when the commercial printing market is slowing down.
- Third, how will we differentiate ourselves under Growth Strategy #1 when rivals also consider industrial printing a growth area.
- The fourth is what specific digital business initiatives we are undertaking through Strategy #2.
- Fifth, what are the specifics of the 200 billion yen in strategic investments we have earmarked for our current medium-term business plan and whether that amount is enough.
- Today, I will address the first, third, and fourth questions.



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- RICOH Ignite, which we announced on February 6, 2018 showed the business focuses of three growth strategies.
- Growth Strategy #0 focuses on Office Printing.
- Growth Strategy #1 covers the Commercial Printing, Industrial Printing, and Thermal businesses.
- Growth Strategy #2 encompasses Office Services, Industrial Products, and Smart Vision.

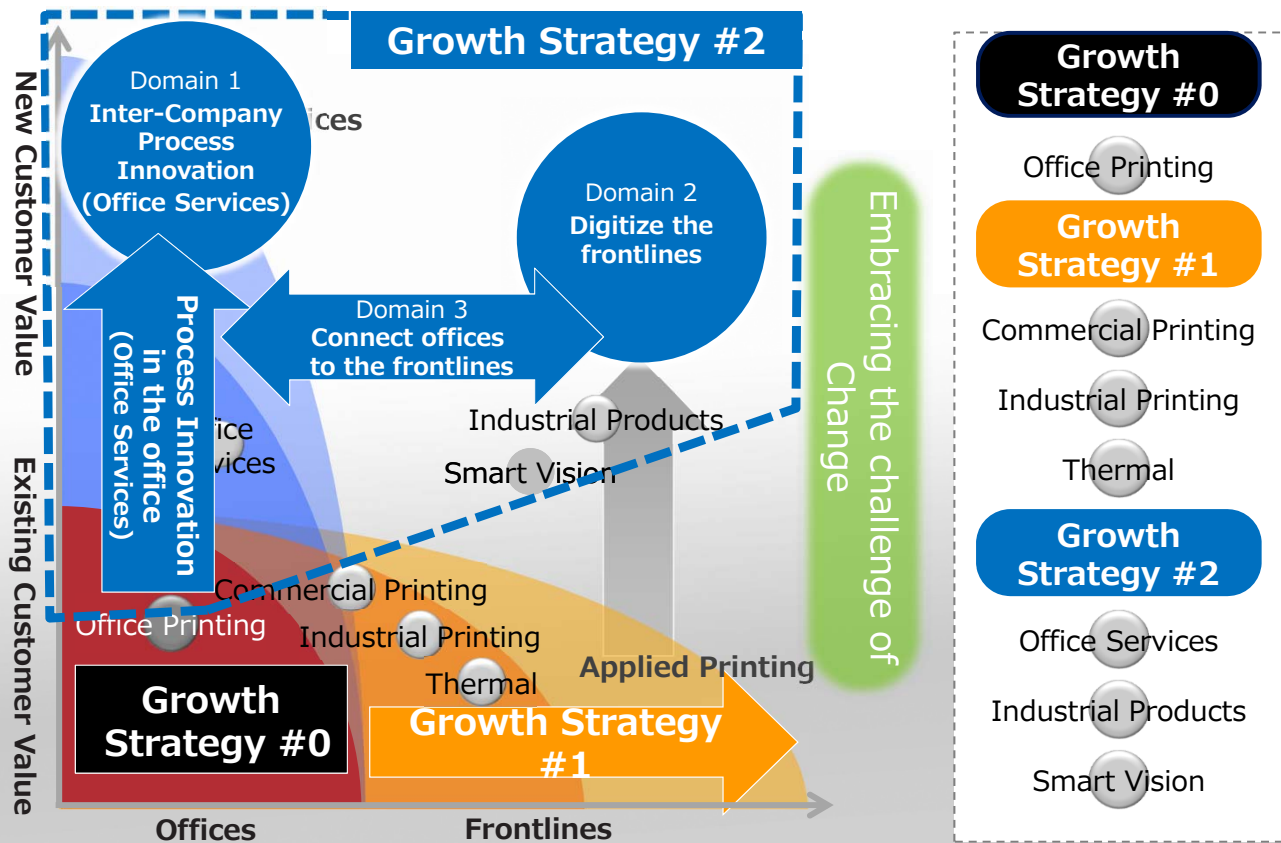
The sources of profit will change as we execute our growth strategy plan



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- This slide addresses the first question, which is about how we are structured to deliver 185 billion yen in operating profit by FY2023/03 (fiscal 2022). The slide shows how our profit sources will change.
- We have established objectives for our businesses for each growth strategy.
- We will invest 200 billion yen through FY2020/03 (fiscal 2019), and will also invest under our next medium-term management plan. Today, I will talk about Industrial Printing under Growth Strategy #1 and our Digital Business under Growth Strategy #2.
- Regarding whether we will generate anticipated earnings from the Digital Business under Growth Strategy #2, shown in the blue portion of pie charts, there were no profits from that area in FY2017/03 (fiscal 2016). But our Office Services business is generating growth in each region, and earnings levels are on the way up.

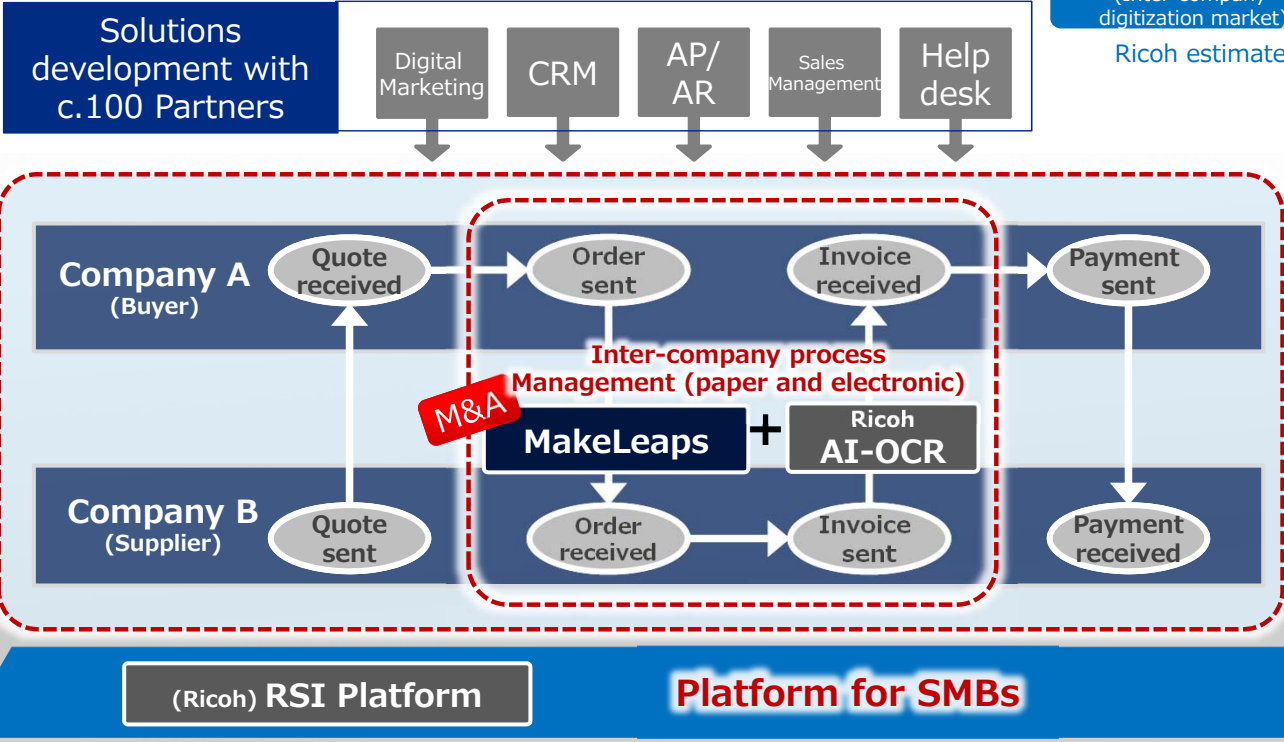


- This page explains Growth Strategy #2.
- In Office Services, we are first overhauling our processes in office. We project Offices Services sales of around 480 billion yen for this fiscal year. We aim to boost these sales to 50 to 60 billion yen by FY2023/03 (fiscal 2022).
- In the Japanese market, we seek to use digital technologies to drive inter-company process innovations for small and medium-sized enterprises.
- The center of the slide mentions that we will digitize the frontlines. We have excellent opportunities to digitize operations in places like hospitals, warehouses, and factories.
- A survey we conducted found that many of the small and medium-sized businesses that domestic subsidiary Ricoh Japan serves have lagged in deploying information technology. So, we are endeavoring to digitize frontlines for each business sector.
- Once we digitize frontlines with optical technology, I think the next challenge will be to link stores and other corporate frontlines with offices.
- In subsequent slides, I will explain the notions of inter-company process innovation, digitizing frontlines, and connecting offices to frontlines.



Support inter-company processes, mainly targeting SMBs

Market size in 2022 150B JPY (Inter-company digitization market) Ricoh estimate



\*RSI : Ricoh Smart Integration

- I will start with inter-company process innovation.
- In this slide, Company A is a buyer. It seeks and receives a quote from Company B, after which an order is sent and received. Our survey identified considerable inefficiencies in the corporate arena. It found that about 60% of companies still use faxes for such procedures. Some also fax handwritten purchase orders. So, many companies still lag on the digitization front.
- We recently announced the acquisition of MakeLeaps, a leading provider of cloud-based billing management software, to help drive inter-company transaction process innovations for small and medium-sized businesses. That firm supplies software for business transactions, particularly for ordering and issuing invoices over the cloud. We look to progressing with MakeLeaps software on our platform.
- MakeLeaps has quite a large customer base, including major corporations. We are blessed to be able to undertake this partnership to accelerate our efforts to standardize inter-company processes.
- We have positioned the Ricoh Smart Integration platform right beneath cloud transactions, and want to link that setup to MFPs to help with inter-company transactions. Standardizing the platform will be a challenge, and we are exploring collaborations with companies that offer outstanding development capabilities and artificial intelligence-based data analytics.



Accelerate digitization on the frontlines by capturing voice and location data, in addition to image data

Market size in 2022

**33B JPY**

(Target market in medical/nursing-care industry)

Ricoh estimate



## Medical & Nursing Care Frontlines

Workforce decline (caused by a fall in birth rates) combined with longer life expectancy (growing aged population) mean medical and nursing care at the frontlines has to be more effective in order to handle the increasing volume of patients.

### Indoor location information acquisition

Identifying locations on premises of doctors and nurses

Smart Sensing (Ricoh)

### Bioinformation monitoring

Efficient nursing care

MinebeaMitsumi

### Advanced hearable devices

Instructions and advice during surgery

BONX

### Japanese voice recognition

Storing surgical records and accumulating findings

Hmcomm

(Ricoh) RSI platform



Warehouses



Schools



Factories



Shops

- Now, I will present some examples of digitization on the medical and nursing care frontlines.
- Japan's declining birthrate and aging population has increased the number of people needing medical and nursing care services, resulting in significant manpower shortages. Institutions urgently need to streamline operations.
- Ricoh testing its Smart Sensing service at several hospitals, and has commercialized it. This setup enables them to pinpoint the indoor locations of nurse, doctors, and devices.
- And, in a collaboration with MinebeaMitsumi, we monitor biometrics through bed sensors.
- In July this year, we invested in a firm called BONX, which offers advanced hearable devices. doctors with both hands occupied during surgery can use one of those devices to receive instructions or advice remotely.
- By augmenting BONX technology with the voice recognition technology of Hmcomm, with which we have a capital alliance, voice data can be stored in written form.
- While pushing ahead with individual solutions, we also look to help hospitals by having their data transactions flow through the Ricoh Smart Integration platform and advance frontline digital processes.
- We estimate the size of the medical and nursing care market for such services at 33 billion yen.
- We will undertake such business development for other frontline areas, such as for logistics, education, manufacturing, and retailing. Our people will frequently visit customer frontlines to ascertain their workflows.



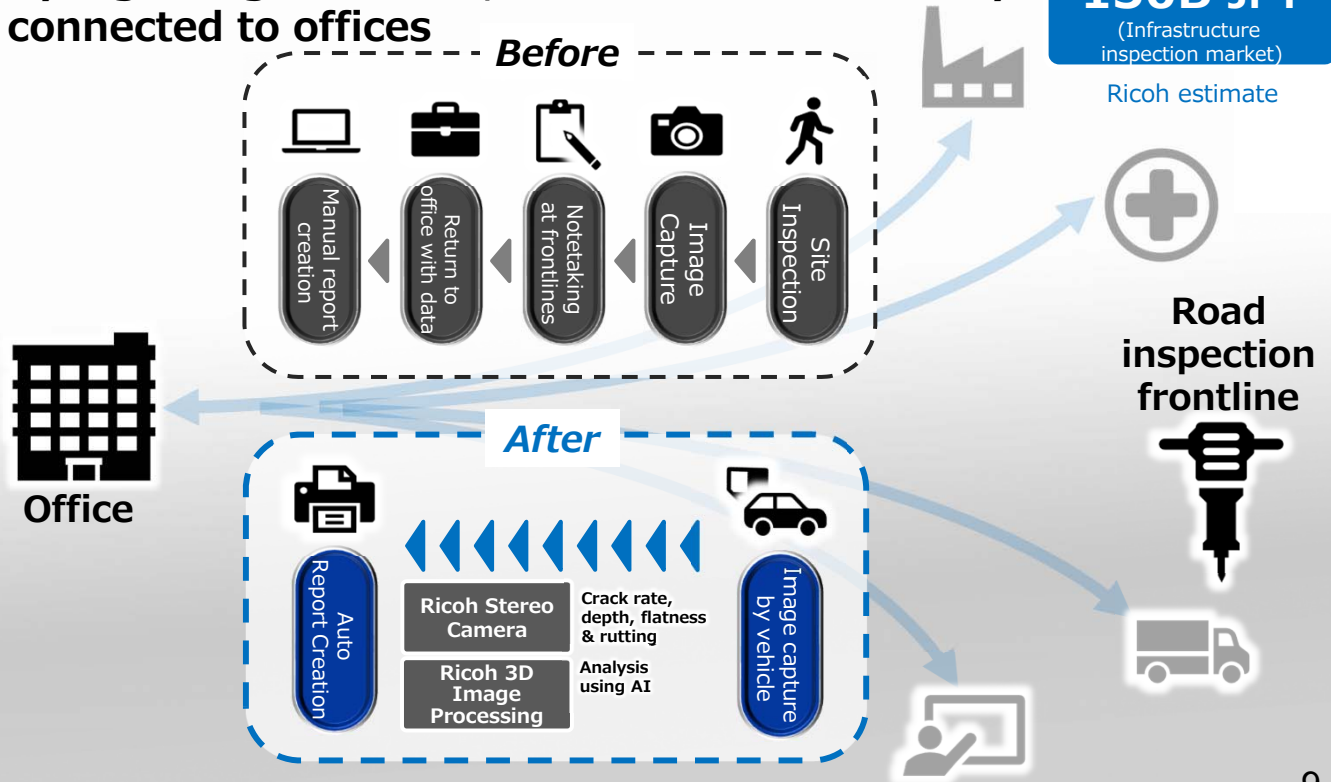
Growth Strategy #2

### Domain 3: Connect offices to the frontlines

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By digitizing frontlines, workflows can be easily connected to offices

Market size in 2022  
**130B JPY**  
(Infrastructure inspection market)  
Ricoh estimate



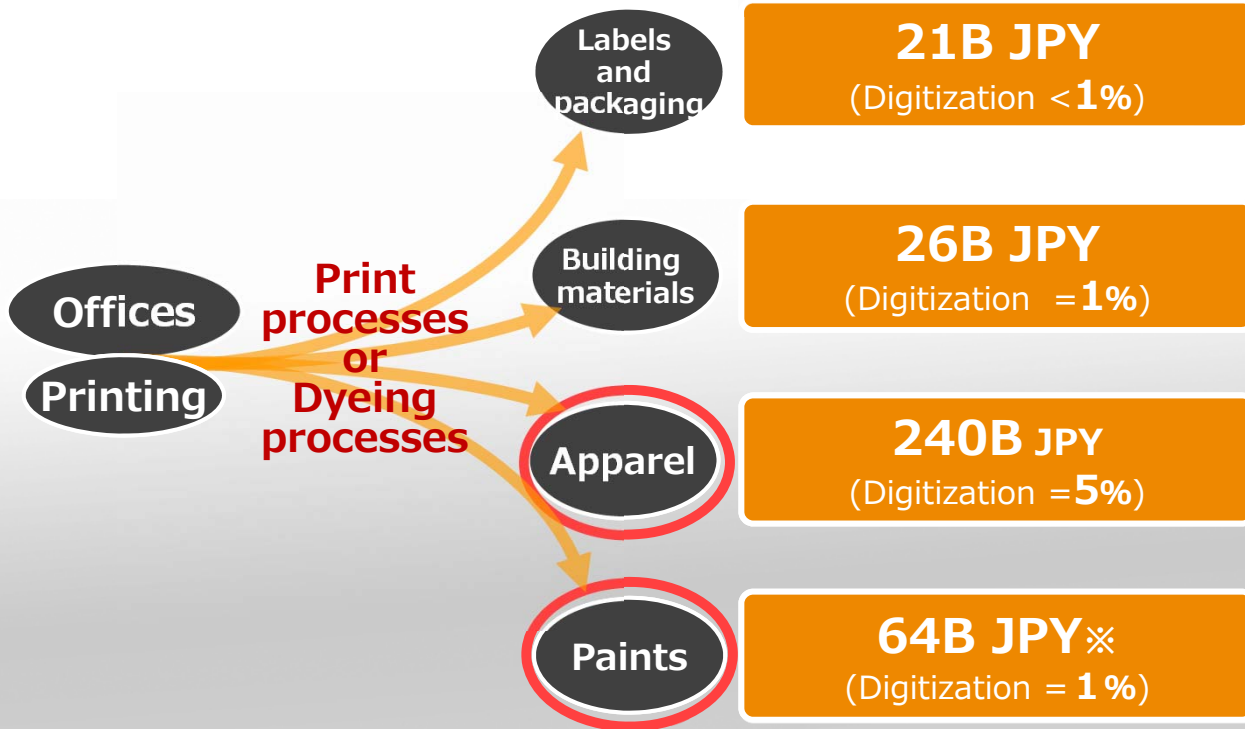
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- Finally, I will talk about connecting offices to the frontlines.
- One particular infrastructural area of interest is road surface inspections, which are a social issue in Japan.
- The general procedure today is to have someone walk along a road photographing road surface cracks, taking notes, and returning to an office to write up a report.
- Alternatively, a vehicle-mounted Ricoh stereo camera can be used to capture road surface images that are analyzed in 3D, with a report being automatically generated. In September this year our setup passed a performance confirmation test of Japan's Public Works Research Center, so we look to commercialize our system.
- We estimate that the market for connecting offices and frontlines will be worth 130 billion yen by 2022.



## From analog to digital processes

### Market Size in 2022 & current rate of digitization



※Car and airplane printing market only

- I will now talk about Industrial Printing under Growth Strategy #1.
- We have defined our target market as labels and packaging, building materials, apparel and textiles, and paints. We used survey company data to estimate digitization rates for these markets. The rates in these areas are low. They are just 5% for apparel and 1% in other markets.
- We are according particular attention to paints. Even among automakers, most painting is done with analog techniques, including for using seals to apply company names. We think it possible to digitize painting processes with our inkjet head technology.



Augment capabilities in decoration, textiles, labels and packaging, with paint capabilities

		Textile (Apparel)	Decoration (Building materials)	Labels and packaging	Paints
Total solutions		✓			LAC
Modules		Coloreel	✓		
Parts	Inks	✓	✓		
	Heads	✓	✓		
Software		✓	✓	✓	
Sales and service			✓		

Enhance internal strengths    
 Strengthen position through collaboration

**Alliance**  
**Coloreel (Sweden)**

Develops and makes yarn dyeing units for industrial embroidery machines

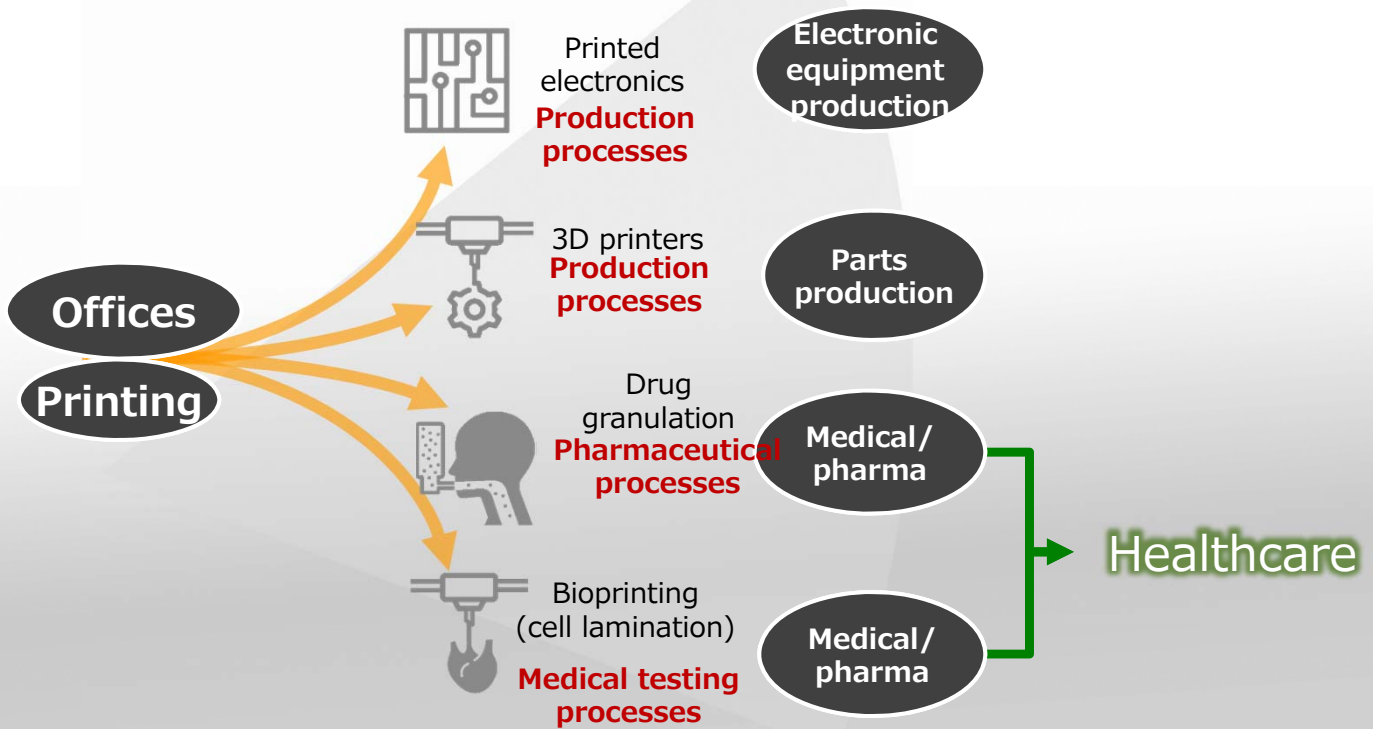
**Acquisition**  
**LAC (Japan)**

Acquired technology for high viscosity and long distance discharge, to enable printing on 3D surfaces

- This slide shows competitiveness in each area for industrial printing under Growth Strategy #1.
- Orange ticks show strong areas for Ricoh. Areas with dotted lines around them are where we need to strengthen our position through collaboration.
- In modules, we have an alliance with Coloreel of Sweden. In textiles, we would like to drive digitalization through the alliance with Coloreel, having a dyeing technology for industrial embroidery.
- We also decided to acquire LAC, a Japanese paint technology firm.
- For automotive painting, our inkjet heads would need to be 2 mm or 3 mm from a surface to maintain accuracy. But paint is 20 or 30 times more viscous than dye ink, so paint would not eject properly from our heads. LAC's inkjet heads are based on a completely different technology. There are already processes for painting patterns on multiple tracks, with all painting being digitized. We intend to mass produce a system that incorporates our manufacturing optical technologies to drive digital painting advances with LAC.



## From analog to digital processes



- In Applied Printing under Growth Strategy #1, we are employing Ricoh inkjet heads in drug granulation and cell lamination processes.
- We will accelerate these businesses in the healthcare fields.



Help diagnose and swiftly detect and treat neurological diseases and contribute to a society in which people lead long and healthy lives

## Medical imaging

### **Biomagnetic diagnostic equipment** (magnetoencephalographs/spinographs)

- High-precision analysis and detection of neural activity
- In December 2017, entered U.S. market and started sales

## Biomedical

### **Bio 3D printers**

- DNA reference plate and drug efficacy and toxicity evaluation system
- Have started exploring commercialization in United States

Additionally, we are nurturing the drug granulation processes using our toner production technology & know-how

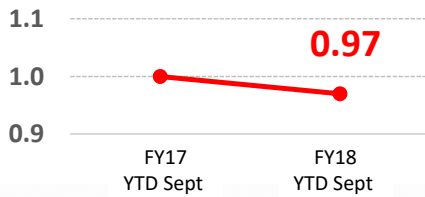
- Let me touch briefly on Healthcare as an area of new potential.
- For the past two years or so, we have pushed ahead with research and development in the magnetoencephalography business that we acquired from Yokogawa Electric. We now look to the business phase with drug discovery, bioprinting, and magnetoencephalography. Hospitals in the United States have already begun deploying our magnetoencephalographs.
- Ricoh seeks to contribute to society through healthcare, notably by enabling the early detection and treatment of neurological ailments.



Prices of directly sold MFPs  
(changes from a base of 1 in fiscal 2017)

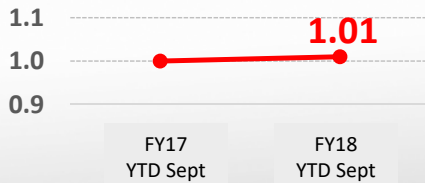
Results and issues

Japan



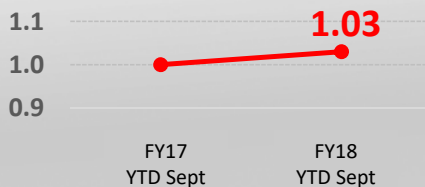
- ✓ Maintained sales price in SMBs so we're shifting more to **growing SMB sales** by adding new customers.

France, UK, Germany



- ✓ Improving sales price in major accounts through effective **deal management** in all 3 countries
- ✓ Germany SMB sales price increased due to **revised commission plan**.

United States



- ✓ **Shift from public sector to private sector** (7% improvement Vs FY17)
- ✓ 9% increase in SMB sales price due to **price structure adjustment** and **revised commission plan**

We anticipate driving further price increases, as the new MFPs have an enhanced solutions capability \*2H'18 New MFP launch

- On this slide, we update our price management efforts under Growth Strategy #0.
- Here, you see price trends in Japan, Europe, and the United States and Europe. I think that it is clear that price management is generally solid.

# Reforming Management to Underpin Our Growth Strategies

## Strengthen management structure to reflect capital costs and corporate value

- Establish an Investment Committee
- Management based on capital costs
- Reassess capital policies
- Strengthen investor and shareholder relations and disclosure

## Reinforce management structure

- Headquarters functions
- Group administrative structure
- Strengthen risk management structure

## Reform governance

- Continue beefing up corporate governance
- Keep enhancing appointment and dismissal process
- Explore corporate value-linked remuneration framework
- Reinforce audits, etc.

- Finally, we still have much to do to reform the management underpinnings of our growth strategies. We are therefore stepping up efforts in three categories.
- I look forward to presenting a timely explanation of progress down the track.
- I thank you very much for your time today.



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