

**RICOH**  
**Resurgent**

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

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Ricoh Company, Ltd.



## Break from past management approaches

Conduct reviews casting aside the traditions and precedents that hamper growth

### 1. Reform cost structure

Drive structural reforms from top down

### 2. Prioritize growth businesses centered on our strengths

Focus on growth businesses that leverage strengths and deploy winning strategies

### 3. Implementation that delivers results and has clear accountability

Present results and rebuild trust with all stakeholders



# RICOH Resurgent Financial Targets

- ◆ **Structural reform savings:** More than **¥100 billion**
- ◆ **Fiscal 2019 operating profit:** More than **¥100 billion**
- ◆ **Total FCEF\* over three years:** More than **¥100 billion**  
\*Free cash flow excluding finance business



# The Ricoh Group's Trajectory

**RICOH**  
imagine. change.

~1990

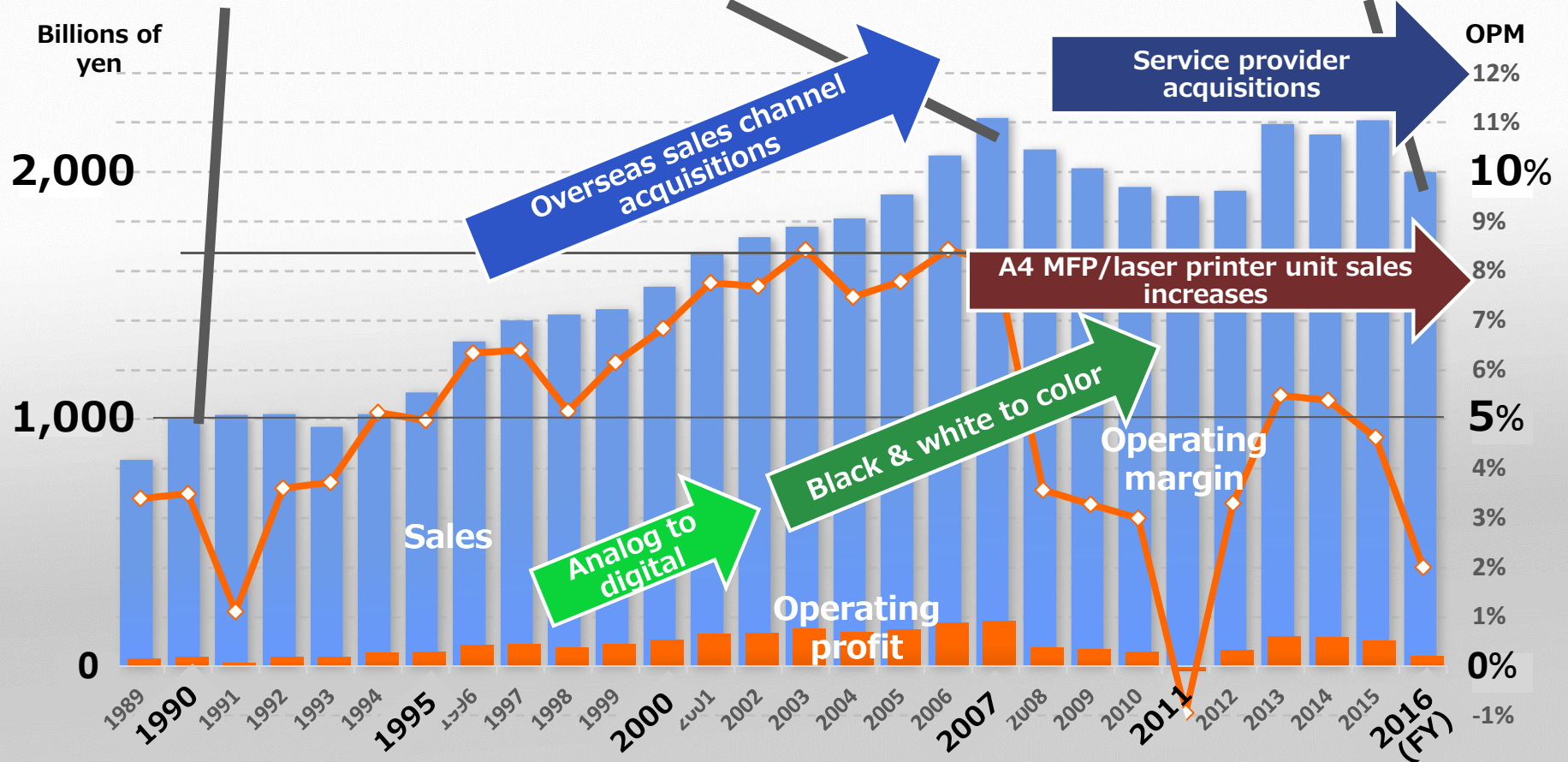
Amassed machines in field, centered on domestic market, and established after service earnings model

~2007

Rolled out domestically successful models overseas by acquiring sales channels

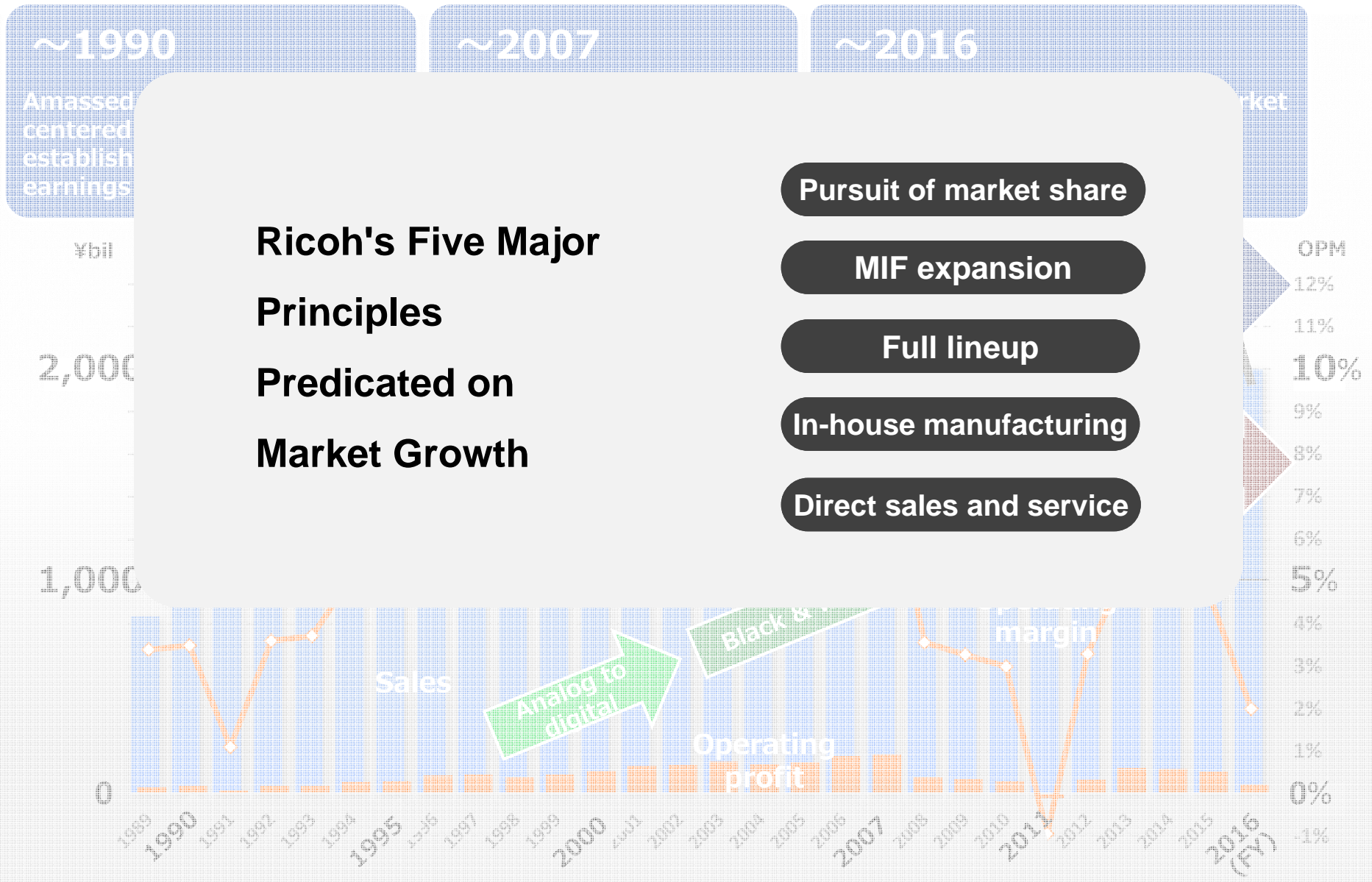
~2016

Covered slowdown in A3 MFP market through sales and service for A4 MFPs and laser printers, but earnings and margins declined





# The Ricoh Group's Trajectory





# Ricoh's Current Core Businesses

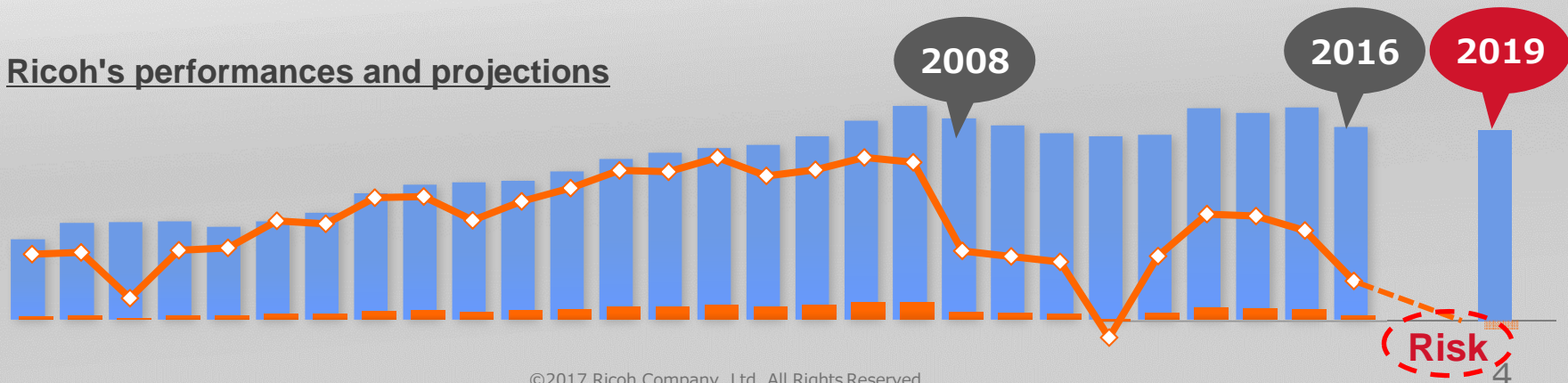
## 2008 to 2016

- A3 MFP market growth slowed, partly because of Global Financial Crisis
- A4 MFP and laser printer markets expanded
- From 2014, proportion of color models declined from peak, greatly affecting performances of all players

## Outlook for 2017 and beyond

- With overall unit demand flat, prices should continue declining for hardware and after service amid increased price competition to secure machine in field numbers
- As color model penetration has peaked, hard to expand scale through black-and-white to color shift
- Working patterns diversifying with spread of mobile devices and infrastructure. Plunging paper use hampering after service earnings

Ricoh's performances and projections





## Ricoh's Five Major Principles

Pursuit of market share

MIF expansion

Full lineup

Principles that have underpinned **scale expansion**

In-house manufacturing

Development and production

Direct sales and service

Management targets that have **supported sales expansion** and product strategy

**Overhaul our approach,  
with a focus on profitability**



## Ricoh management to date

**We postponed a fundamental overhaul in the cost structure of our core business**

i

**Despite not generating envisaged profits, we did not decide to exit businesses**

ii

Even in such growth areas as services and production printing, **we failed to confirm customer needs, our strengths, and competitive strategies**, and ended up merely dabbling a little in everything

iii

**Ambiguous responsibilities, roles, and authority** for some businesses and functions

iv

Drive a resurgence by breaking from the past

## Basic Resurgent Plan

1

### Structural reforms

- Reform cost structure processes
- Increase business selectivity

2

### Prioritize growth businesses

- Deploy strategies centered on our strengths

3

### Reinforce our management systems

- Execute structural reforms and deploy business strategies

### Value Proposition Goal

- An essential company for customers and society

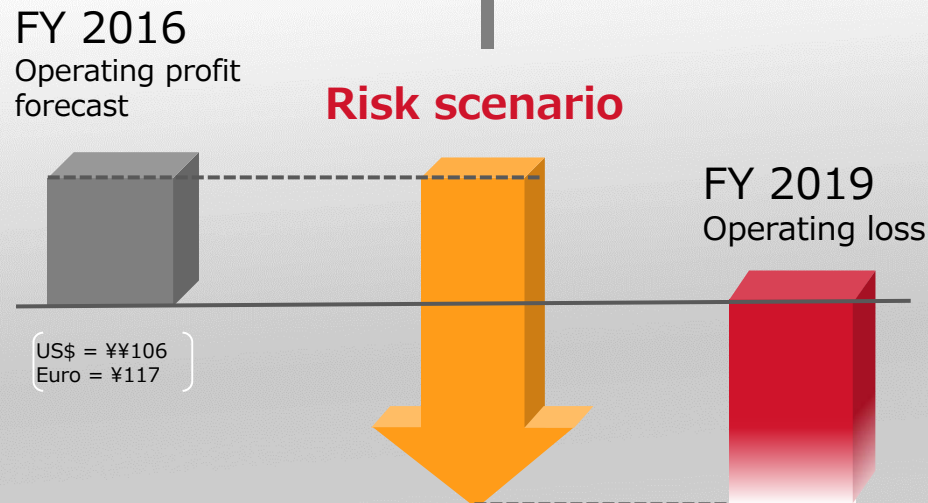




# Risk Scenarios for Resurgence

- Formulating plans that assume a possible operating loss in fiscal 2019 just by maintaining improvement efforts to date

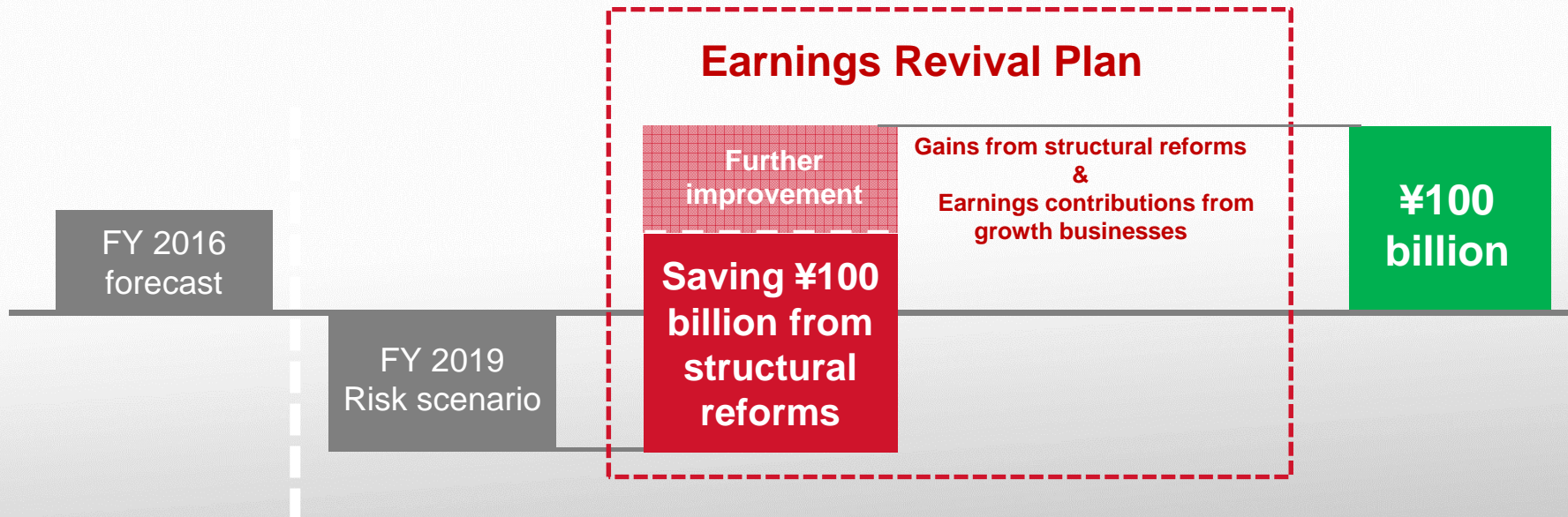
- Office machine and after service prices keep falling
- In-house transaction printing volume declining





# Resurgence: Earnings Revival Plan

## Fiscal 2019 Operating profit (change)



# 1. Structural Reforms

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# Structural Reforms in line with Strategic Shift

- Move away from thinking of structural reforms in cost-cutting terms and look to change corporate earnings structure in keeping with strategic shift

Through 18th MTP

From 19th MTP

## Deployments based on leadership strategies

- Omnidirectional strategy
- Scale (volume) emphasis
- Vertical integration

## Transform core business strategies

- Growth domain shifts
- With focus on profitability
- Flexible operations

## Transform earnings and business structures

- Improve breakeven points
- Boost free cash flow
- Reinvest in growth businesses

Pursuit of market share

MIF expansion

Full lineup

Direct sales and service

In-house manufacturing

## Prioritize profits over scale expansion

- Price control
- Reduce unprofitable deals and MIF

## Optimize structure in line with strategic shift

- Reduce fixed costs and make them more variable
- Cut development, production, and sales costs
- Enhance asset efficiency

Improve margins and **transform profit structure** of core businesses

Allocate funds to growth areas and **change business structure**



# Projected Structural Reform Savings under 19th MTP

	2017	2018	2019
1. Cost structure reforms	¥28 billion	¥37 billion	¥45 billion
2. Business process reforms	¥11 billion	¥39 billion	¥55 billion
<b>Total reductions from fiscal 2016</b>	<b>¥39 billion</b>	<b>¥76 billion</b>	<b>¥100 billion</b>

Deploy reforms earlier forward to enhance impact

## 1. Transform and trim cost structure

Transform structure and reform fixed cost structure to tackle market changes

## 2. Reform business processes

While reforming the cost structure, review processes from scratch and seek to constrain costs while maintaining sales and enhancing productivity



# Structural Reform Approach

## Strategic switch

From  
**Business scale expansion**  
to  
**Focus on profitability**

From  
**Expansionary strategy dabbling in everything**  
to  
**Prioritize businesses from profitability perspectives**

## Reform thrust

### 1. Cost structure reforms

#### Review in-house manufacturing focus

- ❑ Consolidate production network and redefine site roles (see slide 13)
- ❑ Cut development costs by paring down models created in-house

#### Revamp direct sales and service

- ❑ Optimize dealer and direct sales structure for small and medium-sized businesses in North America (see slide 14)
- ❑ Trim headquarters and back office operations

### 2. Business process reforms that boost productivity

- ❑ Enhance productivity by expanding global shared services
- ❑ Improve maintenance processes through more models employing new capabilities (see slide 15)
- ❑ Broaden cost reductions through more automated manufacturing

### 3. Extensive business selectivity

#### Leave no stones unturned in screening businesses

- ❑ Improve profitability by overhauling office services
- ❑ Post impairment losses in traditional camera business
- ❑ Clarify criteria for shutting down, maintaining, and investing in businesses and services



# Consolidate Production Network and Redefine Site Roles

## Review production site strategy

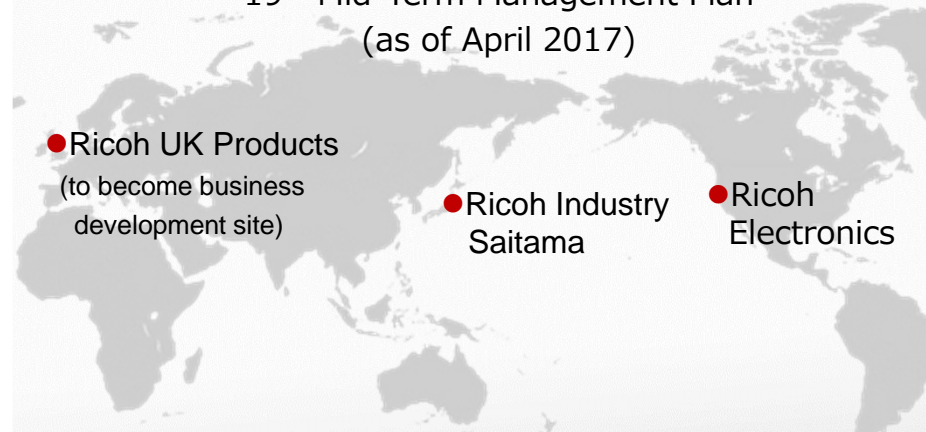
### Review in-house manufacturing focus

- Build production system leveraging external partners
- Consolidate production sites by changing from a MIF expansion strategy and paring down models developed in-house
- Redefine roles of sites
  - Have sites also engage in sales and business development (Customer Experience Center)
  - Concentrate domestic recycling center operations at Ricoh Eco Business Development Center

### Boost productivity through business process reforms

- Broaden cost reductions through more automation
  - Cut labor costs by optimizing and streamlining indirect production processes
  - Improve quality and lower failure costs by eliminating reliance on skills of individuals
- Streamline back office operations and boost productivity by consolidating operations globally

Sites slated for consolidation under 19<sup>th</sup> Mid-Term Management Plan (as of April 2017)



## Key production sites of core businesses

	2016	2017	2019
Japan	6	5	Redefine site roles <ul style="list-style-type: none"> <li>● Production</li> <li>● Business development</li> <li>● R&amp;D</li> </ul>
Overseas	8	7	
Total	14	12	



# Optimize Dealer and Direct Sales Structure for North American Small and Medium-Sized Businesses



## Structural reform initiatives

### Review direct sales and service

- Optimize dealer and direct sales structure for small and medium-sized businesses
  - ▣ Reinforce collaboration with dealers
  - ▣ Leverage inside sales to boost operational productivity

### Boost productivity through business process reforms

- Trim back office headcount
  - ▣ Reduce headquarters and back office headcounts that grew with business expansion
- Liquidate unprofitable service business and sites
  - ▣ Review service businesses in line with strategic switch that focuses on profitability

## Projected impacts

	Fiscal 2017	Fiscal 2019
Savings	¥20 billion	¥35 billion







## Improve Maintenance Processes through More Models Employing New Capabilities

- Enhance customer service levels and service productivity through more models employing new capabilities

### Process reform initiatives

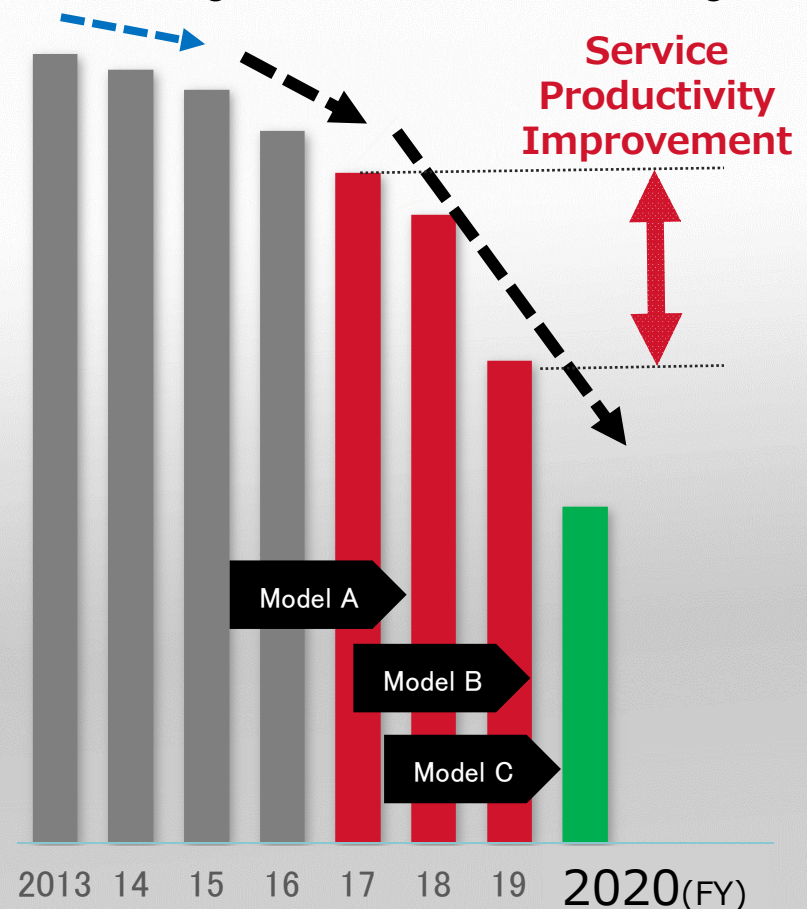
#### Service engineer productivity improvement

- Automatic remote system software updates for MFPs
- Cloud-based easy profile transition from existing machine to new machine

#### Call center productivity improvement

- Customers can solve problems themselves by displaying enhanced troubleshooting guidance on the operation panel.
- Support customer's operation remotely from call center

Service engineer on-site numbers target



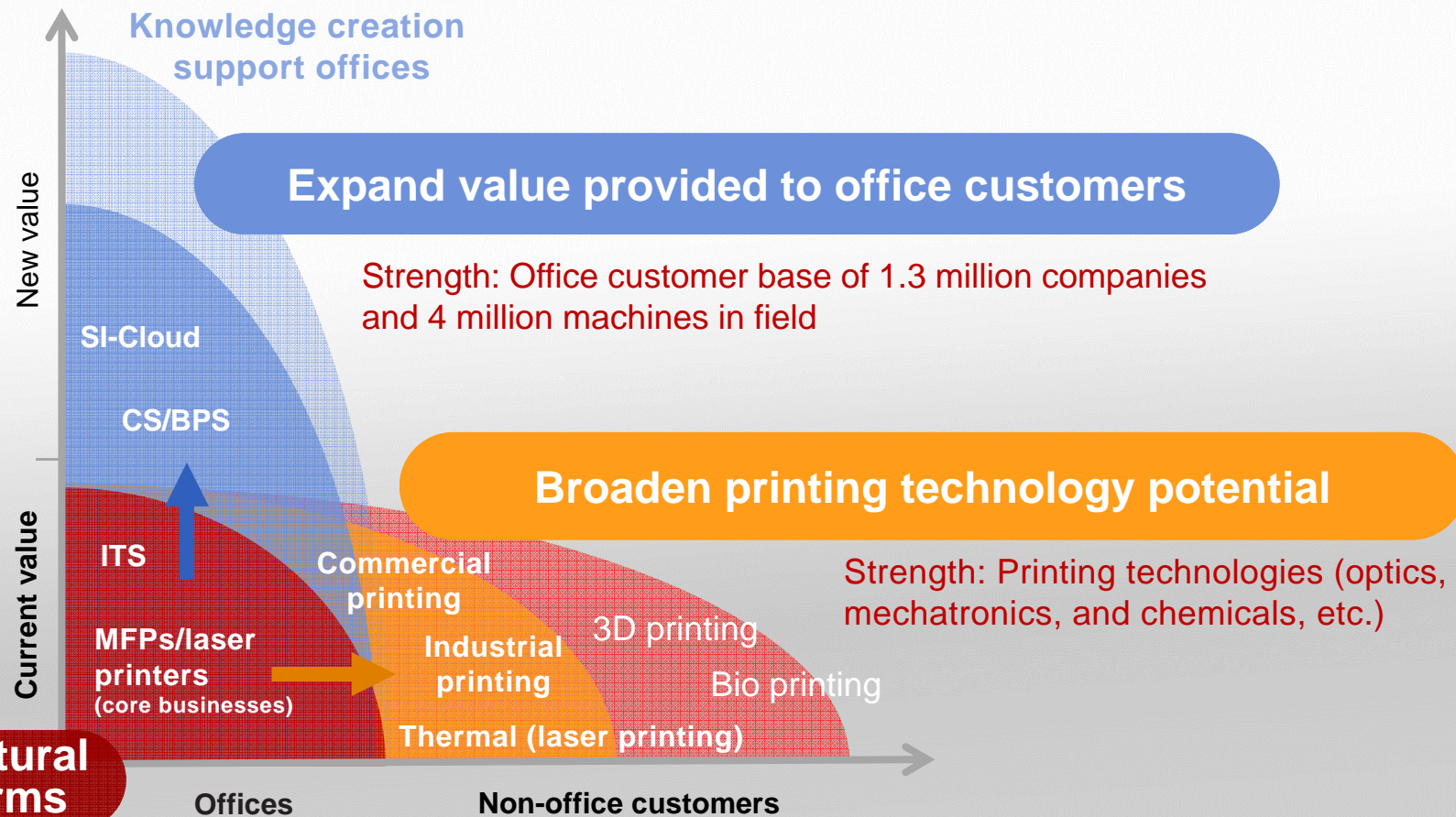
## 2. Prioritize Growth Businesses

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# Prioritizing Growth Businesses

- Grow by redefining and prioritizing our strengths
- Leverage open innovation and concentrated investments to reinforce growth capabilities

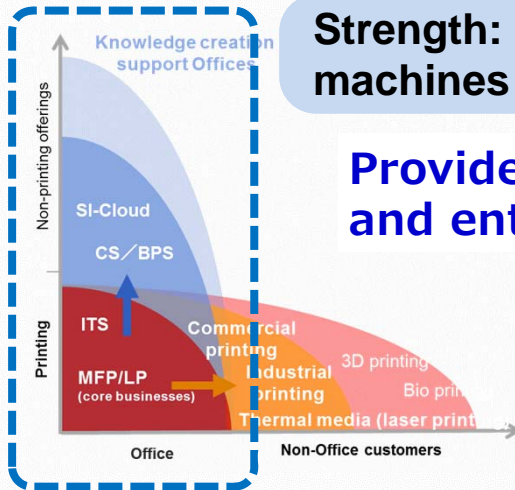




# Expand Value Provided to Office Customers

**Strength: Office customer base of 1.3 million companies and 4 million machines in field**

**Provide solutions that help enhance customer productivity and enterprise value**



**SI-Cloud**

**Provide workflow solutions platform that leverages our customer base and machines in field and collaborate with partners to provide solutions to customers**

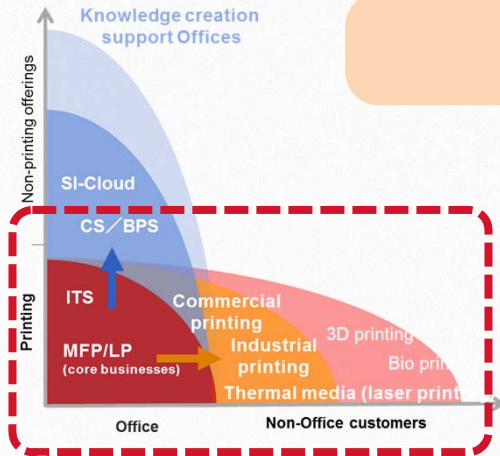
**BPS**

**CS**

**Combine edge devices and artificial intelligence to boost communication support and productivity for customers**

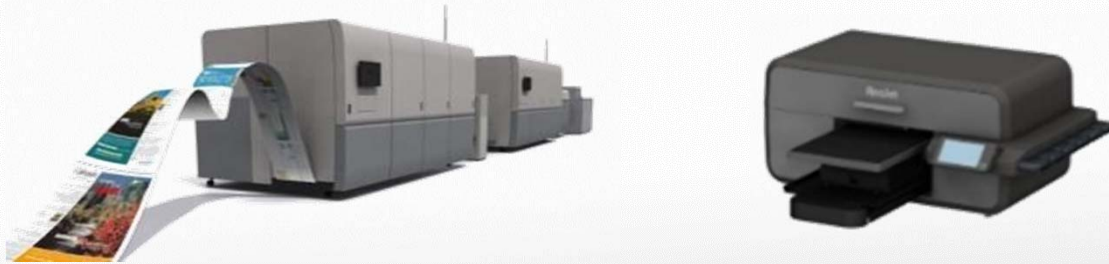


# Broaden Printing Technology Potential



**Strength: Printing technologies**  
(including optics, mechatronics, and chemicals)

**Support customer value creation with  
Print to Everything printing technology**



**Commercial printing**  
O to D

**Help printing firm customers improve the productivity of their value chains by providing hardware and workflow solutions**

**Industrial printing**  
Imaging systems  
industrial printers

**Supply inkjet-based imaging systems and printers that enable digital on-demand printing for various media**

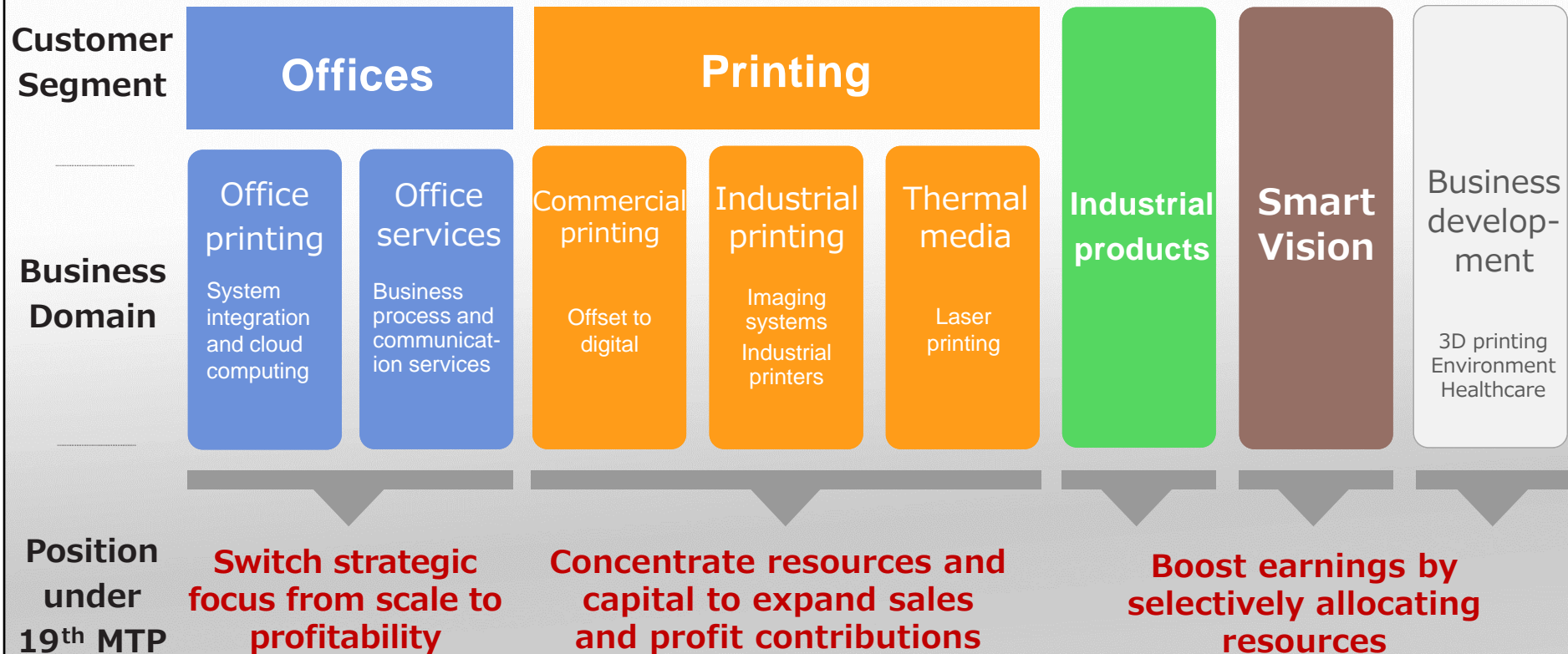
**Thermal media**  
Laser printing

**Leverage strengths in high-speed printing process technologies for integrating custom printing within production lines**



# New Business Structure

- Redefine our business domains based on customer attributes and our strengths
- Improve cash flow and concentrate investments in growth fields



## 3. Reinforce Management Systems

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# Approach to Reinforcing Management Systems

## Looking back

**Ambiguous responsibilities, roles, and authority** for some businesses and functions

## Approach

### Organization to implement structural reforms

#### ● Drive reforms from the top down

- The CEO will directly oversee the implementation through the activities of the new CEO Office
- We will reinforce endeavors through directors to whom we delegate authority to carry out special missions
- In the United States, where we are urgently improving operations, we will transform the structure and have headquarters accelerate reforms

### Organization to deploy business strategies

- Ensure thorough business PDCA management and accountability for results through structural reforms
- Improve strategic quality and speed by shifting business oversight to the best regions
- Visualize management information to swiftly identify and address issues



# Reinforcing PDCA Cycles in Pushing Ahead with Structural Reforms



**Board of directors**

Reinforcing monitoring and reflecting findings in assessments  
(Monthly or quarterly)

Management council

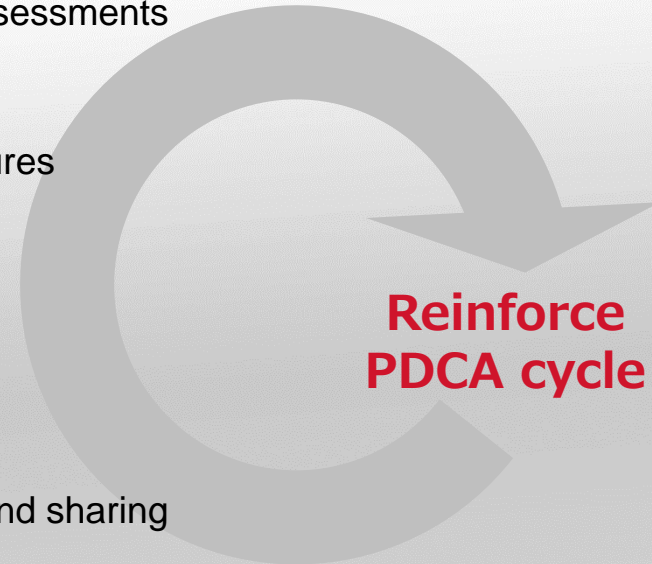
Confirming progress and sharing issues and measures while deciding on structural reinforcement efforts  
(When making decisions)

**CEO Office**

Confirming progress with key themes of CEO and directors with special missions  
(Weekly)

**Business division**

Confirming progress through business unit heads and sharing and addressing issues  
(As needed)



# Our Value Proposition

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- Put customers first in keeping with our corporate philosophy and make Ricoh essential for customers and society

## Value proposition

### Value proposition message

Under the 19<sup>th</sup> Mid-Term Management Plan, all Ricoh employees will strive to materialize our future success by generating value for customers.

## Our value for society

### Sustainability message

We will broadly address social issues, create new markets, and generate value to simultaneously drive social progress and Ricoh's growth.

## Corporate brand

### Brand message: imagine. change.

These two words are central to the Ricoh brand and describe the way we work with each other, bring value to our customers' businesses, and interact with the market.

## Corporate philosophy

### The RICOH Way

**Founding Principles: The Spirit of Three Loves**  
(Love your neighbor, Love your country, Love your work)  
**Mission, Vision, and Values statements**



## EMPOWERING DIGITAL WORKPLACES

*RICOH IMPROVES WORKPLACES BY USING INNOVATIVE TECHNOLOGIES AND SERVICES  
TO ENABLE INDIVIDUALS TO WORK SMARTER*

WHO WE  
HELP

INDIVIDUALS

WHAT WE DO

RICOH IMPROVES WORKPLACES

HOW WE HELP

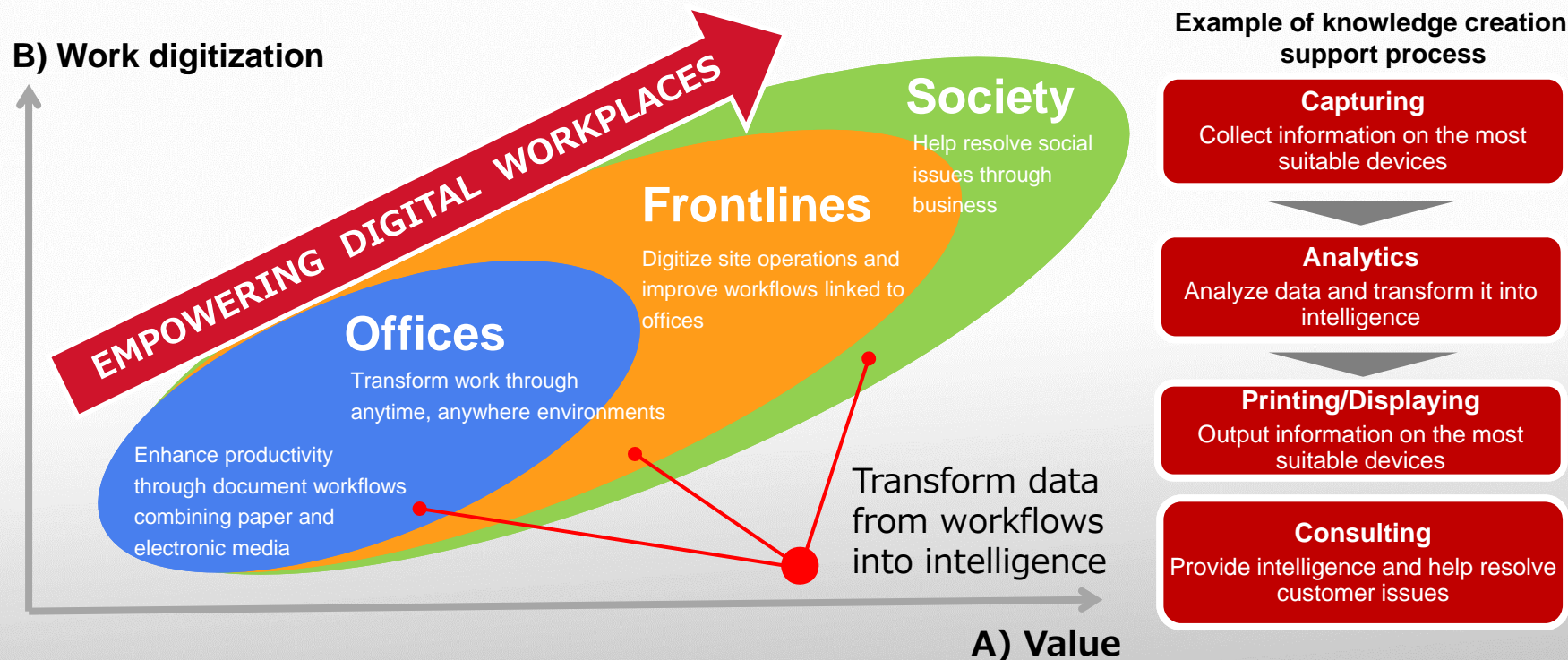
USING INNOVATIVE TECHNOLOGIES & SERVICES

THE BENEFIT

WORK SMARTER

# Workplace Expansion and Our Value Proposition

- We look to set structural reform goals during fiscal 2017 and formulate our vision for the future in April 2018



## A) Value

Value focus to move beyond traditional offices toward workplaces and expand to encompass society.

## B) Work digitization

Digitizing work wherever people are in action, linking digitized work and analyzing the data to support customer knowledge creation



# RICOH Resurgent Financial Targets

(aforementioned)

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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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