

RICOH
Resurgent

**Structural Reform
Progress Report**

October 30, 2017

Yoshinori Yamashita
President and CEO

Ricoh Company, Ltd.



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)

Reinforce PDCA cycle

- I stated in April this year that I would keep you up to date with quarterly progress under RICOH Resurgent, and I will present my latest report today.
- I am taking personal responsibility for structural reforms that the new CEO Office is promoting, with the office submitting progress reports to the Board of Directors.
- Today, I will explain steps and achievements from the second quarter and keep you up to date with progress under our annual plan.

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
- Revamp direct sales and service

2. Business process reforms that boost productivity

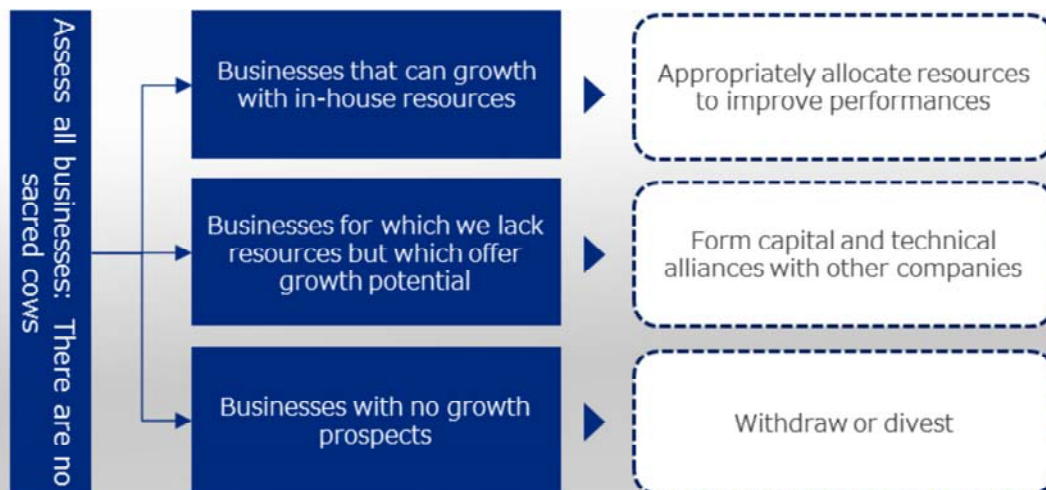
3. Extensive business selectivity

- Leave no stone unturned in screening businesses

- As I mentioned in my previous explanation, there are three reform thrusts.
- Today, I will go through the third one, which is extensive business selectivity.



1. There are **no sacred cows**
2. Key evaluation criterion is **whether or not businesses can be growth drivers** for Ricoh



4

©2017 Ricoh Company, Ltd. All Rights Reserved

- I will begin by overviewing our business reviewing stance.
- There are no sacred cows. Our key criterion is whether or not businesses can be key growth drivers for Ricoh. We broadly evaluate businesses in three respects.
- The first is for businesses that can grow internally. We allocate the necessary in-house resources to these businesses so they can improve performances.
- Second, with businesses for which we lack resources but which offer growth potential, we explore collaborations with external companies to drive progress rather than going it alone.
- Third, we look into withdrawing from or divesting businesses that are unlikely to regain profitability or have no growth prospects.
- The reality to date has been that Ricoh has categorized most businesses as being able to growth with in-house resources. But I have made a break from the past under RICOH Resurgent. I have accordingly made two key management decisions to ensure Group growth going forward.



Backdrop

- Signs of improper accounting practices came to light in 2016. Ricoh headquarters stepped in to support efforts to return the subsidiary's accounting and finance practices to normal
- In 2016, we increased the subsidiary's capitalization by 11.2 rupees to assist with a business restructuring
- This year, the subsidiary's relationships with principal customers deteriorated. After evaluating reconstruction support, we decided to limit losses for the Group overall by not providing further additional financial assistance



RICOH Resurgent

Conduct structural reforms
with no sacred cows

1. Cease financial support
2. Reflect losses in second-quarter and full-year forecasts
3. Clarify the administrative responsibility
4. Prevent recurrences and reinforce governance

- The first decision has been to change our support policy for our Indian subsidiary.
- We disclosed details of that decision on Friday, October 27.



Why are you announcing this decision now?

We decided not to provide additional financial assistance to Ricoh India because in the course of reassessing restructuring support to it based on the RICOH Resurgent initiatives rolled out from April this year that company's relationship with its main vendor deteriorated.

Hadn't you already resolved issues with Ricoh India?

Although we resolved earlier issues, we arrived at this decision after finding in the course of reassessing Ricoh India's viability that its restructuring efforts had fallen behind schedule.

Might you incur further losses?

We project a maximum loss of ¥30 billion.

Might similar cases occur in other operating regions?

We do not expect such issues to arise at other subsidiaries, but we will act in light of this case to reinforce corporate governance group wide by implementing measures to prevent a recurrence.

- After the October 27 announcement, we received numerous questions from investors. Today, I will go through some of the most frequently asked questions.
- The first was why we announced our decision now.
- We looked into reviewing rebuilding plans for Ricoh India from April. The direct factor in our recent decision was that Ricoh India's relationship with its main vendor deteriorated.
- Another question was about why we had not already resolved issues with Ricoh India.
- We did resolve the inappropriate accounting practices that had been an issue. But business rebuilding efforts fell behind schedule, and we arrived at our decision after reassessing the viability of Ricoh India.
- Another question was about whether we might incur further losses.
- The ¥30 billion loss that we have projected for the second half of this year is a maximum at this juncture.
- Finally, we were asked whether similar cases might occur in other regions.
- We have implemented measures to reinforce governance and prevent a recurrence, and do not expect such issues to arise at other subsidiaries.



Company's strengths

Key strengths are compactness and low power consumption, and we lead in mobile equipment field

Competitive climate

Industry consolidations have progressed in Europe and United States, and maintaining competitiveness requires certain sales scales and miniaturization

Market

In general-purpose analog IC market, anticipating particularly high growth even in semiconductor market (CAGR of 4.3%* from 2015 to 2019 *)



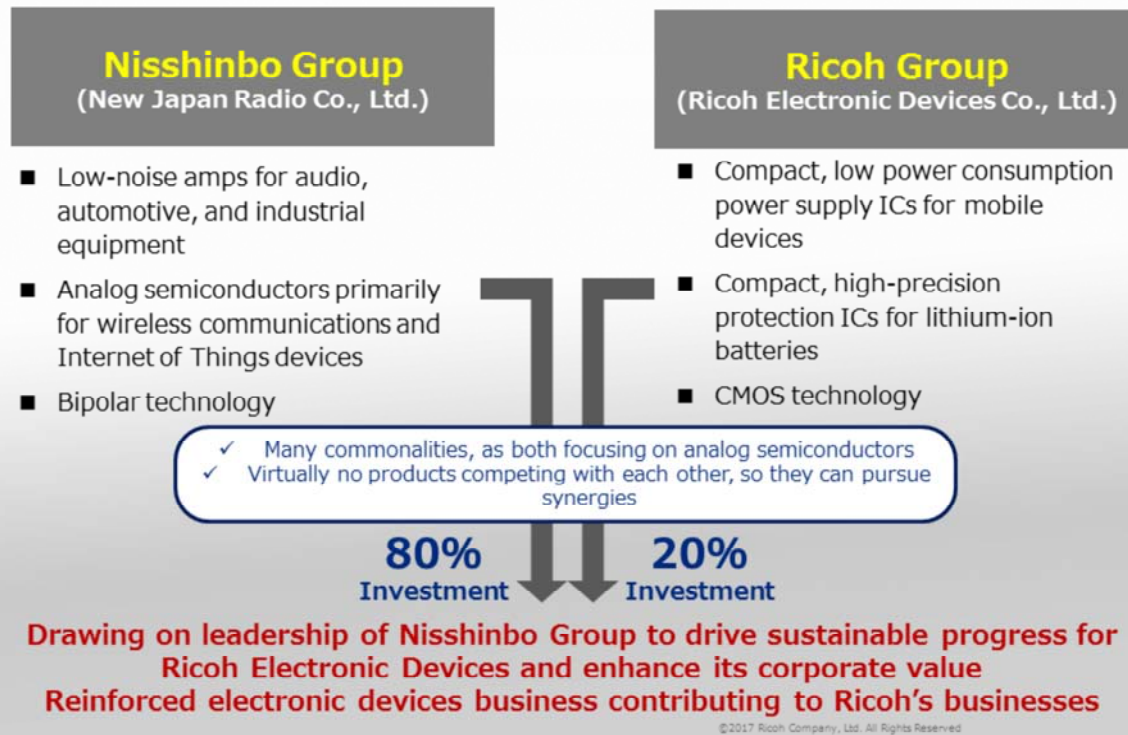
Combine expertise with core business of Nisshinbo Group to further develop business

*Source: World Semiconductor Trade Statistics

©2017 Ricoh Company, Ltd. All Rights Reserved

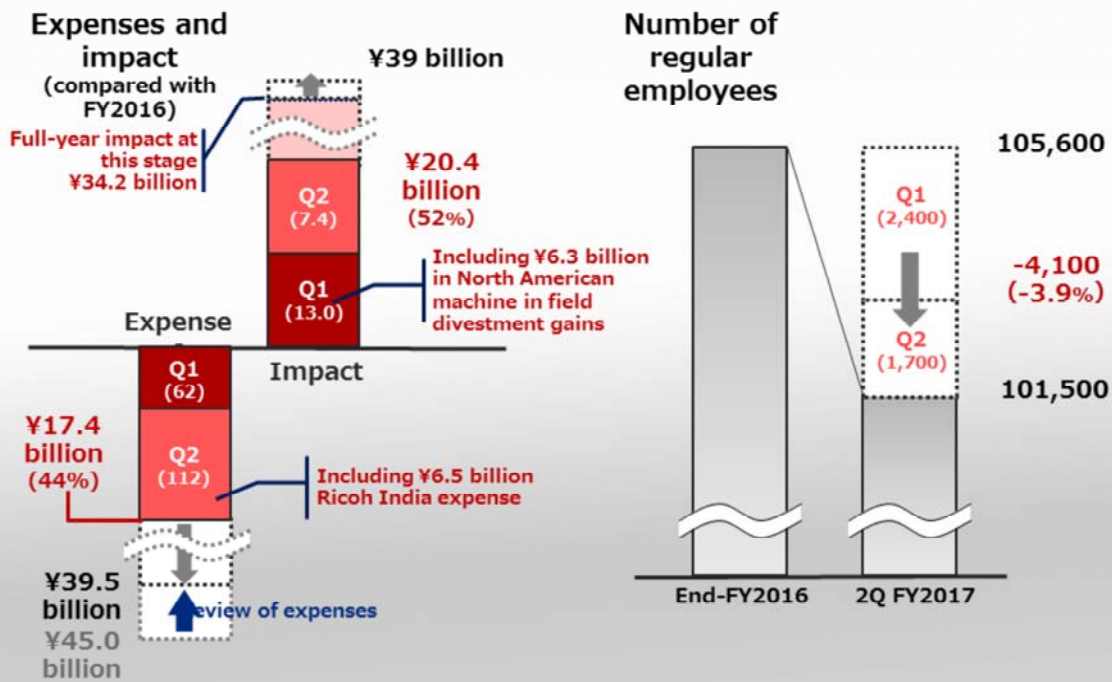
7

- The second major decision was to form a capital alliance with Ricoh Electronic Devices, which we announced today.
- In analog semiconductors, where Ricoh has a strong position, many major players rank near the top in overall semiconductor sales, and scale will determine future competitiveness.
- In view of market growth prospects, further scale expansion is necessary to remain competitive and survive. It is in light of that competitive climate that striving to develop its operations independently would not be in Ricoh's best interests.
- We therefore concluded that we would secure opportunities for further growth through a capital alliance between Ricoh Electronic Devices and the Nisshinbo Group, offering considerable business synergy potential.



- I will briefly go through the features of the semiconductor businesses of the Nisshinbo Group and the Ricoh Group.
- The prime offerings of both companies are analog semiconductors. But while their businesses are similar, there is little product overlaps and the two companies complement each other. By drawing on the Nisshinbo Group's bipolar technology and the Ricoh Group's CMOS technology, the two are well placed to become more competitive in the promising automotive and Internet of Things fields.
- The Nisshinbo Group stake in the capital alliance will be 80%, with the Ricoh Group having 20%.
- I believe that the synergies that result from bringing together the expertise and customer base of the Nisshinbo Group and our business will position us well for sustainable progress.

Accumulated Expenses and Impact and Employee Numbers in First Half of FY2017



- I will now go through progress with our structural reforms.
- First, expenses through the end of the first half of the year totaled ¥17.4 billion. Because expenses have been lower than expected, we have reduced our projection for the year to ¥39.5 billion, from ¥45.0 billion. Please note that this does not mean that we are shifting the ¥5.5 billion difference to the next fiscal year.
- The full-year impact of structural reforms implemented to date is ¥34.2 billion. This is better than planned, so we can say that we are doing well in this respect.
- The number of regular employees in the Ricoh Group has declined as a result of our measures.

Quarterly Plan for Structural Reform Measures

Slide from July 28
company briefing
materials



	Ongoing ● Implementation timing			
	1Q	2Q	3Q	4Q
Cost structure reforms				
Consolidate production network and redefine site roles	●	●		●
Cut development costs by paring down models created in-house	→			
Optimize dealer and direct sales structure for small and medium-sized businesses in North America	●	●		
Trim headquarters and back office operations (site reorganizations)			●	●
Business process reforms that boost productivity				
Enhance productivity by expanding global shared services	●		●	→
Improve maintenance processes through more models employing new capabilities				
Broaden cost reductions through more automated manufacturing				●
Extensive business selectivity				
Leave no stones unturned in screening businesses			We plan to disclose this information at the right time	

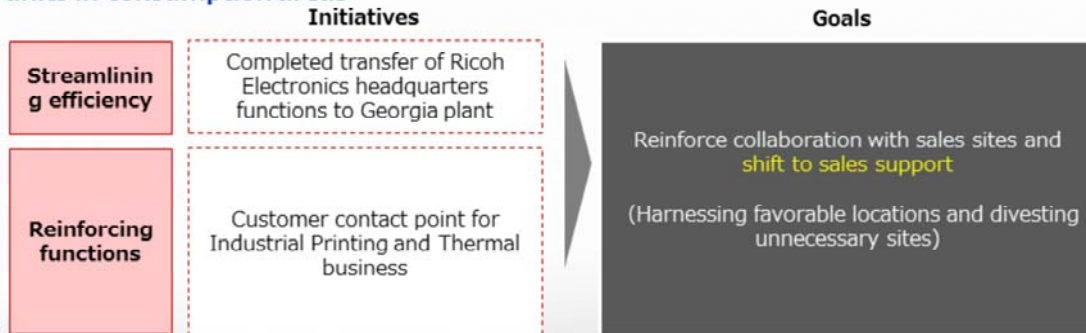
©2017 Ricoh Company, Ltd. All Rights Reserved

10

- We also showed this slide when announcing our first-quarter results. We are organizing implementation plans for structural reform measures in keeping with the timing of expenses.
- In the following slides, I will explain cost structure and business process reforms.



Consolidating production network and reviewing roles of units in consumption areas



Optimizing direct sales structure in North America



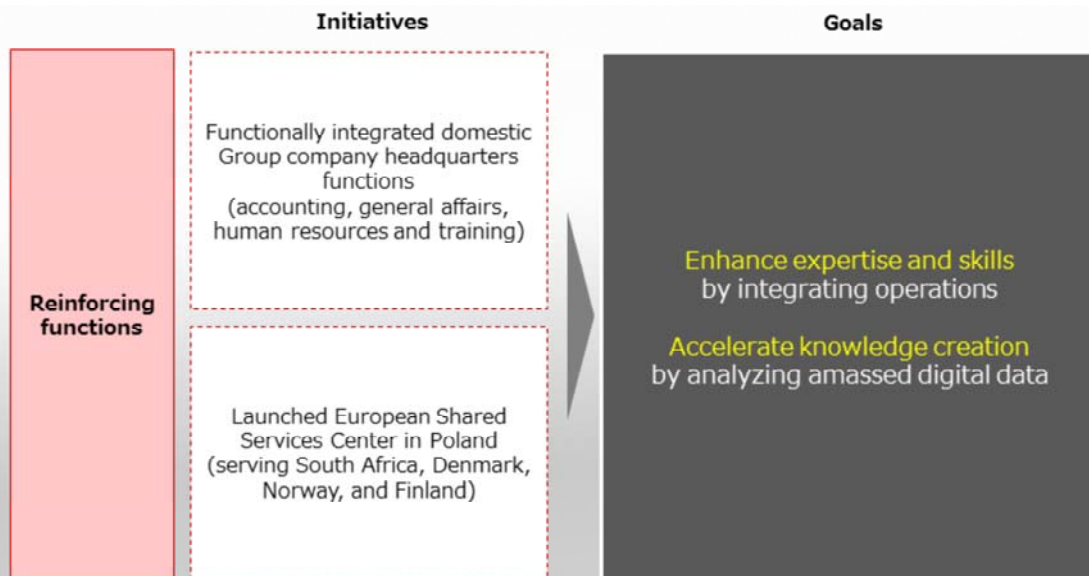
©2017 Ricoh Company, Ltd. All Rights Reserved

11

- We completed the transfer of the headquarters functions at North American subsidiary Ricoh Electronics from the California plant to the Georgia plant.
- This move vacated five of the seven buildings at the California facility. We will use some of the remaining space for the operations of AnaJet, which makes and sells textile printers.
- We will also take advantage of the good location of that plant by using it as a sales support site for customers.



Enhance productivity by expanding shared services



©2017 Ricoh Company, Ltd. All Rights Reserved

12

- On the structural reform measures front, we made progress with cost structure reforms in the first half of the year. Our focus from the second half will be on business process reforms.
- We have already undertaken some efforts in that regard, and I will highlight progress in two areas.
- We functionally integrated the functions of domestic Group company headquarters. For example, we integrated most accounting functions at Group companies within Ricoh's parent accounting unit, eliminating overlap and reducing man-hours by around 30%.
- Our next step will be to deploy robotic process automation to lift accounting productivity.
- Our second step was to launch operations at the European Shared Services Center in Gdansk, Poland, in the second quarter. This facility looks after invoicing and collections, data governance, and accounting. We expanded to service area to include South Africa, Denmark, Norway, and Finland.
- As a result of the above integration of operations, we can accelerate knowledge creation by analyzing amassed digital data.



	FY18/03	FY19/03	FY20/03
Total reductions from FY17/03	¥39 billion	¥76 billion	¥100 billion
1. Cost structure reforms	¥28 billion	¥37 billion	¥45 billion
2. Business process reforms	¥11 billion	¥39 billion	¥55 billion
Expenses	¥39.5* billion	()	—

*Review of expenses from ¥45 billion

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

- As I have stated to date, we have progressed well with our structural reform measures.
- We will continue leaving no stones unturned in eliminating impediments to growth, choosing areas in which we can concentrate our management resources.
- I plan to make announcements down the track on growth strategies that we will accelerate from fiscal 2019.
- Thank you very much for your time today.

RICOH
imagine. change.