

Structural Reform Progress Report

July 28, 2017

Yoshinori Yamashita President and CEO

Ricoh Company, Ltd.





Reinforcing PDCA Cycles in Pushing Ahead with Structural Reforms



Investor relations

April 2017 July 2017

October 2017 January 2018

April 2018

Structural reforms will be a top management priority, and we will present periodical reports on progress. We will also formulate a long-term growth strategy, slated for announcement in April 2018

- √ Structural reform results
- ✓ Long-term vision

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)

Reinforce PDCA cycle

Business division

Confirming progress through business unit heads and sharing and addressing issues

(As needed)



Structural Reform Approach



Strategic switch

From

Business scale expansion

to

Focus on profitability

From

Expansionary strategy dabbling in everything

tc

Prioritize businesses from profitability perspectives

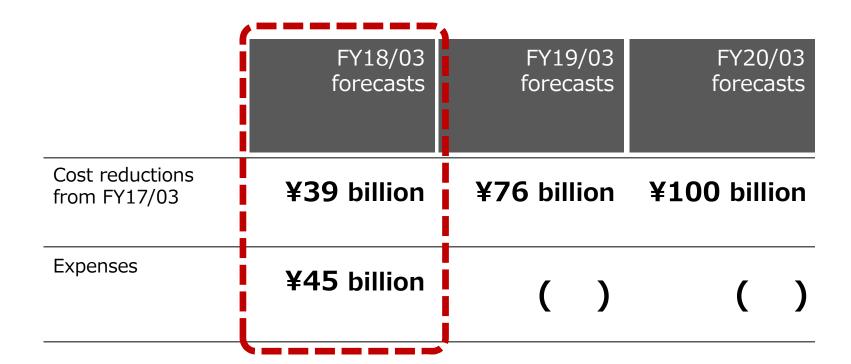
Reform thrust

- 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





■ Structural reforms

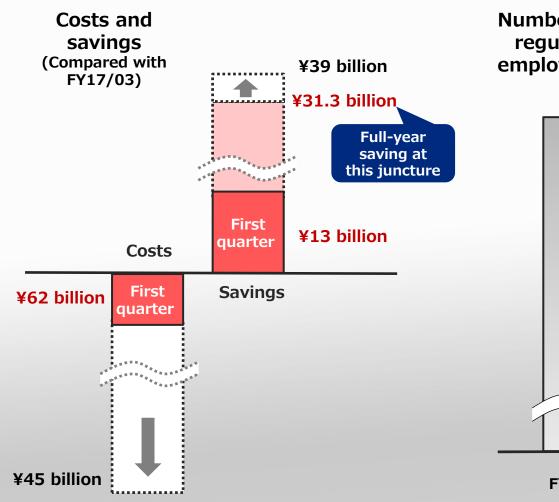


■ New business structure disclosure from first quarter of FY18/03

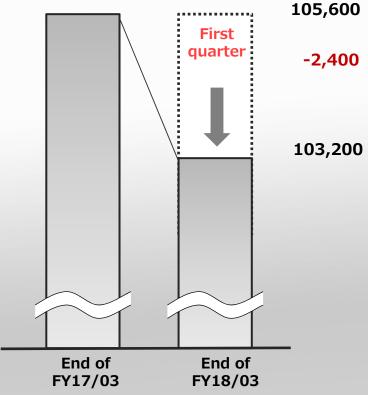


Cost, Savings, and Personnel Reductions in First Quarter of FY18/03





Number of regular employees





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



Quarterly Plan for Structural Reform Measures



	Ongoin	g ● Im	 Implementation t 	
	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			



North American Sales and Service Structure Reforms



Business climate change and issues assessment

Customers' proactive purchasing practices (including through the Web) and difficulty of differentiating hardware, and sophistication of proposal contents



Optimize sales and service structure and reform processes

Implementation measure

Goal

Structure for small and mediumsized businesses Build remote sales structure through inside sales

Harness marketing strategy and improve customer contact frequency

Bolster indirect sales network by shifting MIF to leading dealers

Supplement coverage of remote areas and reinforce collaboration with dealers

Structure for large customers

Position experts by service product or industry category

Familiarize them with customer business flows and reinforce marketing proposal skills

Process reforms

Reinforce Web marketing and other digital sales

Enhance productivity of deal exploration and other sales activities



Production Site Reorganizations



Business climate change and issues assessment

Demand has increased in consumption areas for a very flexible supply structure and for technical support for sales sites

Optimize production capabilities

Implementation measure

Close Saitama site by fourth quarter

Functional consolidation

Shift headquarters functions of North American production subsidiary Ricoh Electronics, Inc., to Georgia plant by second quarter

Sales support reinforcement

End full MFP production at REI and have it specialize in recycling and configurations Goal

Concentrate and optimally place functions and sites globally

Focus on assisting sales activities in terms of ensuring efficient deliveries and technical support after bidding and orders



Other Regional and Functional Implementation Progress



Currently undertaking the following initiatives that should begin bearing fruit from the second quarter



- Opening shared service center in Poland
- Improving operations of sales companies whose profitability is poor



- Downsizing headquarters organization
- Reorganizing and integrating business sites, including by relocating headquarters during the third quarter
- Reviewing intellectual property portfolio in line with business strategies



Additional Measures to Drive Further Structural Reforms



Create an even more robust earnings structure by undertaking the measures below that we did not initially plan

- 1. Optimize roles and tasks of Ricoh headquarters and regional sales headquarters
- 2. Reinforce global supply chain management
- 3. Leverage robotic process automation, artificial intelligence, and other tools to reform headquarters and back-office business processes
- 4. Optimize site setups to handle downsized operations

We will announce measures we are exploring at the appropriate time



Projected Structural Reform Savings



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

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

