

Ricoh Ignite

First Quarter Review

July 27, 2018

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President and CEO
Ricoh Company, Ltd.



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



Growth Strategy #0

Enhance operation, evolve MFPs, and secure customer base

- I pledged at our year-end results announcement gathering on April 27 that I would present a progress report this fiscal year on RICOH Ignite, our Group growth strategy.
- At today's first-quarter announcement, I will report on progress with Growth Strategy #0.



Growth Strategy #0: Pursue operational excellence and evolve MFPs



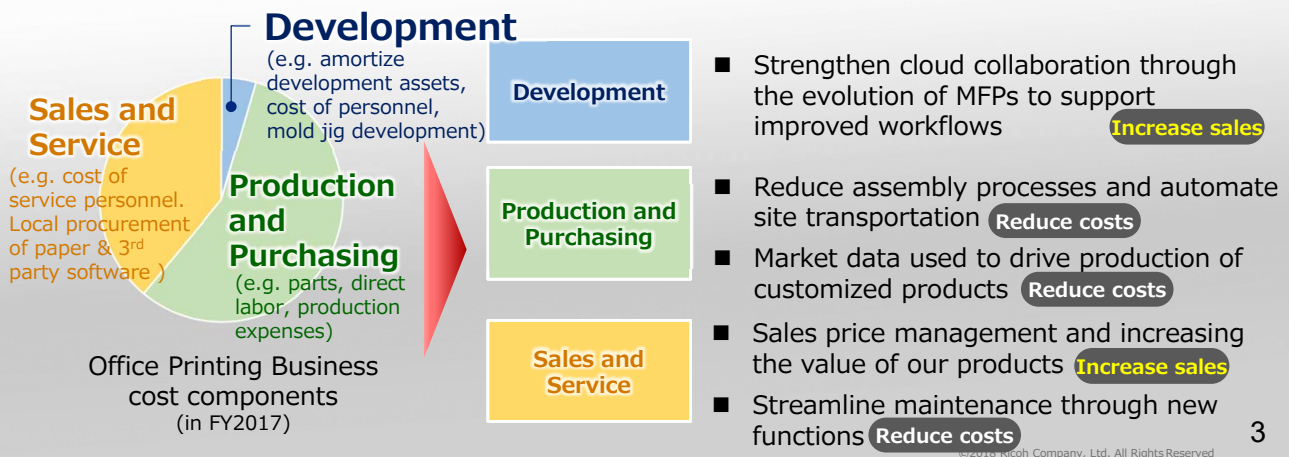
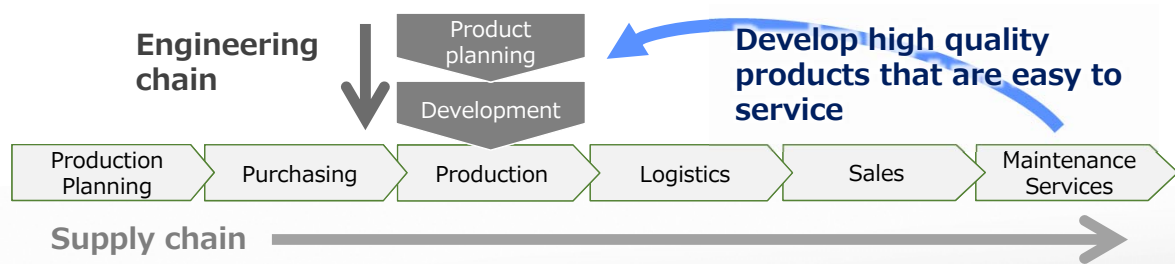
Growth Strategy #0

Enhance the value of MFPs & Printers, and maintain No. 1 position in customer satisfaction



- Under RICOH Ignite, Growth Strategy #0 has been about building the strongest possible foundations for our business.
- The prime goal of Growth Strategy #0 is to enhance the value of MFPs and printers and maintain our No. 1 position in customer satisfaction.
- We are accordingly pursuing operational excellence, reviewing and trimming our business management structure to reinforce our structure. At the same time, we are strengthening collaboration to as part of efforts to do away with “not-invented-here” notions while evolving MFPs.
- Today, I will cover our measures to pursue operational excellence and evolve MFPs.

Reduce costs to **achieve a 55% cost of sales ratio** by enhancing operations across the value chain



- Our goal in pursuing operational excellence is to achieve a 55% cost of sales ratio.
- The ratio was around 60% in fiscal 2017. We have set the following goals under our medium-term management plan to shave off five percentage points.
- Our engineering chain and total business value chain is end to end. It stretches from purchasing and production through sales and services and from logistics to deliver products to customers to finance, which supports customers' IT investments.
- Ricoh Logistics has already concluded a capital partnership to reinforce its operations. The logistics sector faces chronic labor shortages. It is experiencing a transition, notably through emerging demand for IT and robotics to address those shortages. Our business encompasses goes beyond hardware to encompass the need to deliver regular supplies to customers. We are drawing on the capabilities of experienced partners, including for IT, to bolster our logistics capabilities.
- The chart on the bottom left of this slide presents the cost structure of our Office Printing business. One would tend to think of these costs being primarily for production, but they also include other expenses, notably for sales purchases and services personnel. We also amortize development costs by model.
- As you can see on the right of this page, we are endeavoring not just to cut costs but also improve sales. We are undertaking these individual efforts to lower the cost of sales ratio to 55%.



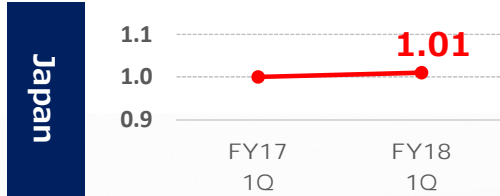
Sales Price Management

Pursue operational excellence (1)

Increase sales price through adding value to our products combined with targeting higher value customer segments

Direct Channel MFP Price Trend
(Assume FY17 Q1 actual is "1")

Progress and Challenges



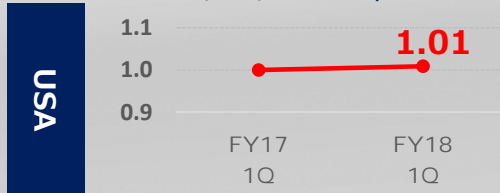
Tight evaluation of major account deals, and an increase in **SMB deals** has led to maintaining our sales price.



Tight evaluation of major account deals in France and UK.

Changes to the commission scheme has led to an increase in average sales prices for SMB deals in Germany

* France, UK, Germany



Introduction of a **profit focused compensation plan and pricing methodology.**

Shift from Public to Private Sector

- I will now explain sales price management, which covers providing added value and a shift in customer segments.
- Here, we show MFP prices compared with the same period last year. We are maintaining prices in Japan and the United States, with prices rising in three Western European nations.
- While our measures differ from country to country, in Japan we have maintained selling prices by stepping up management in each deal for large accounts, with there being a shift to deals for small and medium-sized businesses.
- In Europe, we have maintained sales prices by reviewing our commission scheme in Germany while reviewing deals for small and medium-sized businesses. In France and the United Kingdom, we have bolstered sales prices by tightly managing large accounts.
- In the United States, we have done well by introducing a profit focused compensation plan and changing our pricing methodology.
- That said, we need to transform sales frontline attitudes and secure customer understanding to properly manage sales prices. It is difficult to generate swift results, so we will continue earnest efforts in that regard.



Super-efficient new factory for office printing devices that will employ digital technologies

Target

EM* Ratio **-50%**

Production Efficiency **+30%**

Supply Lead-time **-20%**

*Emergency Maintenance

Conceptual Drawing



Overview

<Digitally advanced factory>

Company Name

Ricoh Manufacturing (China) Ltd.

Location

Dongguan Guangdong, CHINA

Ground Area ca. 90,000m²
(Building Area ca. 80,000m²)

Construction Start Date end July 2018

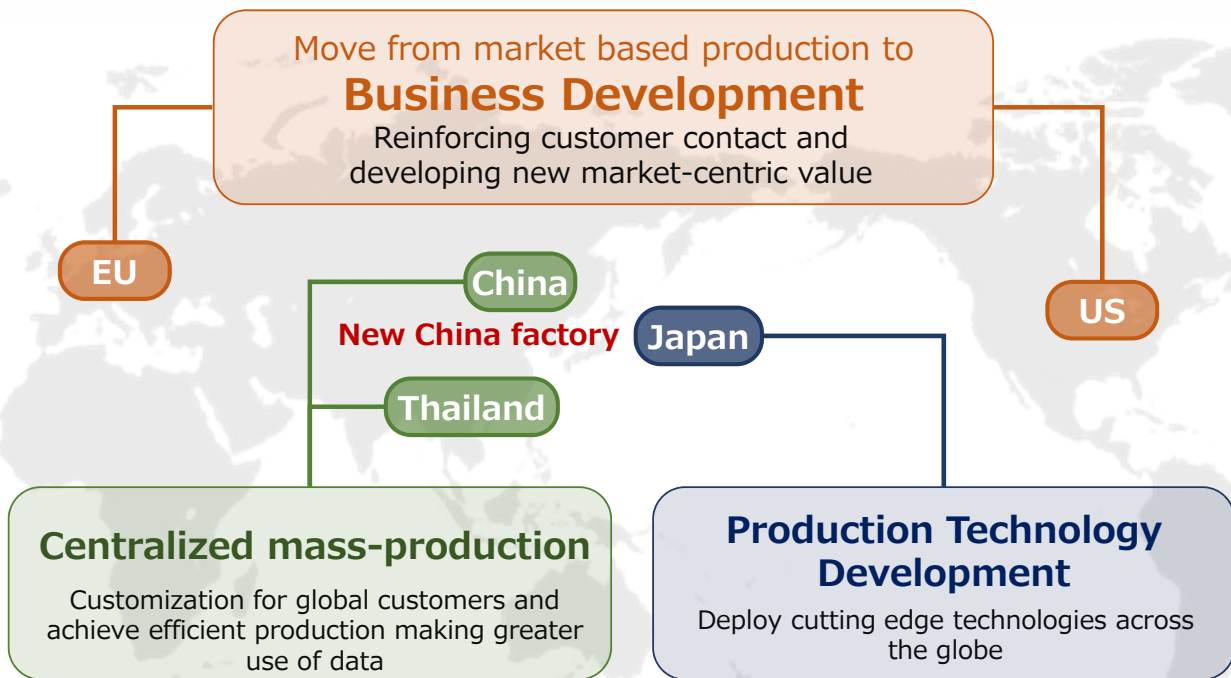
Estimated Completion Date August 2019

Total Cost ¥7.5B

- I will now turn to operational excellence in production.
- On July 17, we announced that we would establish a new plant in China. We will draw on this digitally advanced facility to transform development and production.
- Our goals there are to lift manufacturing efficiency by 30% and shorten supply lead times by 20%. Another objective is to enhance quality by halving the emergency maintenance rate.
- On the next page, I will explain the positioning of this plant and other production sites.



20% reduction in supply chain management (SCM) costs through tighter collaboration between sales and development

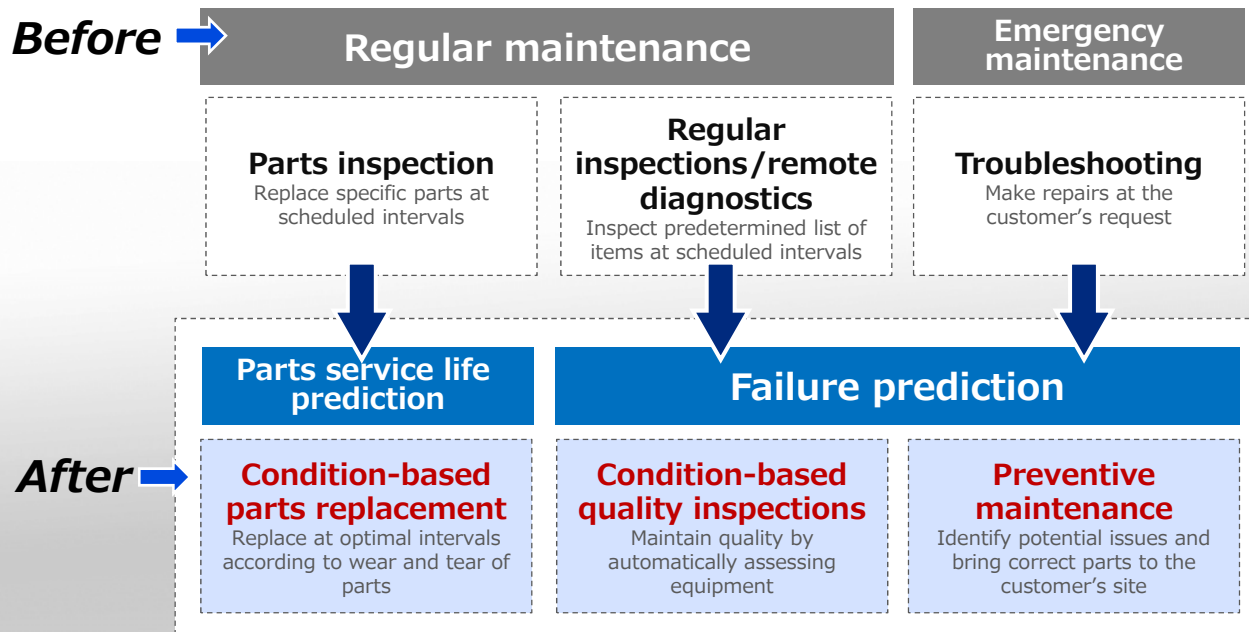


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- Our approach to manufacturing in consumption markets and in the right place led us to set up production in Europe and the United States, China, and Thailand. Over the past five or six years, however, our European and American plants have accommodated customer needs by tooling up to become customization and configuration facilities.
- From around a year ago, we began transforming facilities into business development units. Plants in the United States and Europe are harnessing their engineers and expertise in this major shift.
- To cite a specific example, a British plant is functioning as a customer experience center that enables customers to print. In spring this year, we established the European Marketing Center for industrial printing. Because it has manufacturing technology and technical knowhow, this facility can explain and demonstrate high-end expensive commercial and industrial printing systems to customers.
- With European and U.S. plants engaging in customization, our Thai and new southern Chinese facilities will create an array of different products. We have already been taking regional and customer specific approaches to an extent over the past few years, and have progressed in creating aggregate manufacturing bases that are not simply for mass production.
- At the new Chinese facility, we look to connect with customers by installing IoT sensors within the premises so our Asian plans can globally produce and supply hardware.



Next generation models will predict failures or parts replenishment to **reduce downtime by 50%**.



- I will now explain our MFP evolution.
- New color models that we will launch this fiscal year leverage completely different concepts from those of predecessors. The goals here are to streamline maintenance services and halve customer downtimes.
- MFPs get regular maintenance, and we schedule parts replacements and mechanical inspections in each country and territory. We also provide emergency maintenance and repairs if something goes wrong in the interim, but the waiting times between issues and resolutions are issues for customers.
- We will address such problems by incorporating machine parts service life and incident prediction functions so parts can be swapped out according to operating conditions and service personnel can perform maintenance inspections. Customers will thus get preventive maintenance.
- Over the next three or four years, we will replace equipment with models incorporating these functions, the goals being to lower the costs of maintenance services and halve customer downtimes.

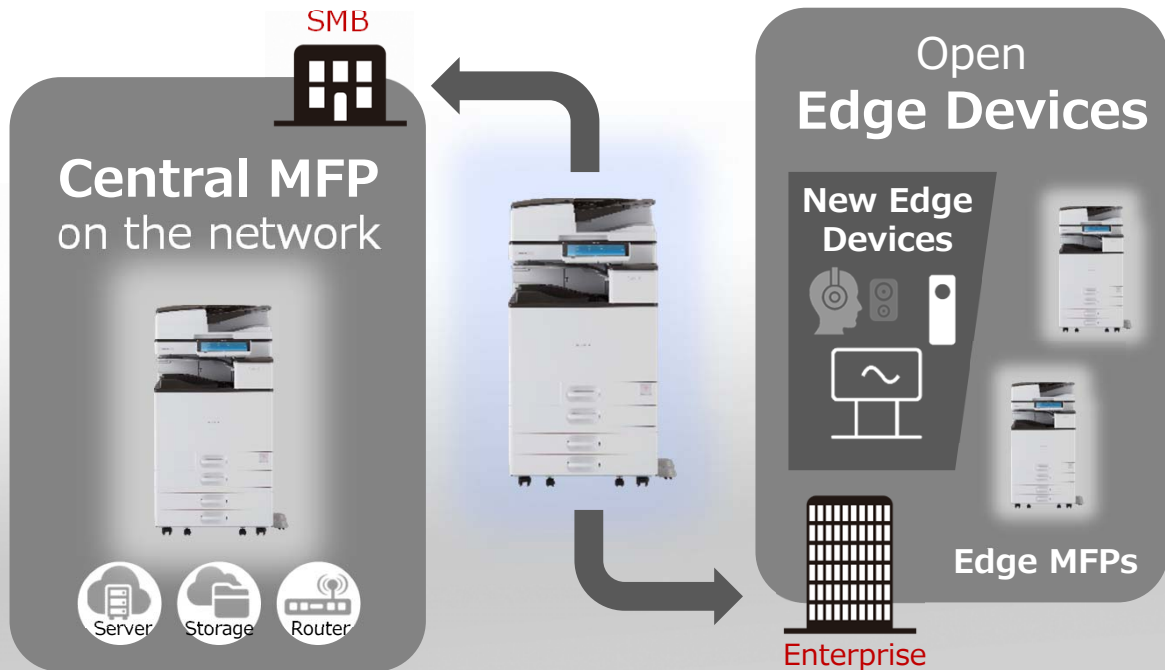


The role of MFPs in the Office

Evolve MFPs (1)

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MFPs could become “central” or “edge” devices, connecting with other devices and services



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- Another aspect of the evolution of MFPs that I would like to mention here is that we look for MFPs to play different roles for small and medium-sized enterprises and large corporations.
- For small and medium-sized enterprises, MFPs will become central machines, connecting workflows by processing them and data on the cloud.
- For large corporations, the idea is to leverage an array of cloud services and tools in which MFPs are open, functioning as edge devices and becoming essential for working with third-party cloud services.
- I look forward to continuing to provide quarterly reports on our growth strategies.
- Thank you for your time today.

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