

# Mid-Term Management Strategy

May 22, 2012

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President and CEO  
Ricoh Company, Ltd.

imagine. change.

Let's "imagine" together to create "change".  
Ricoh provides new value for customers with  
"imagine. change."

- ◆ 17<sup>th</sup> MTP Goals
- ◆ Environmental Changes and Challenges
- ◆ Initiatives to Restructuring
- ◆ Challenges for Creating the Future
- ◆ To Achieve 17<sup>th</sup> MTP Targets

# 17<sup>th</sup> MTP Goals



Strive for a global brand,  
create a future with  
new innovation

Achieve “growth”  
and “restructuring”  
simultaneously

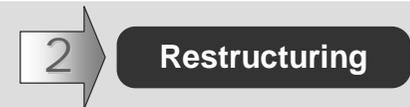
## Achieve “growth” and “restructuring” simultaneously

### 1. Business Creation and Integration



1. Simultaneously maintain the top market share and achieve streamlining in core businesses
2. Accelerate business structure transformation to service businesses for developed markets
3. Achieve business growth in emerging markets
4. Realize profit contributions from the Production Printing business immediately
5. Expand new businesses

### 2. Establish highly effective management



- ▶ Realize a robust operational structure in order to develop growth strategies

# Environmental Changes and Challenges



- Economic environment
  - ◆ European issues
  - ◆ Exchange rate (yen appreciation)
  - ◆ Globalization
- Natural disasters
  - ◆ Great East Japan Earthquake
  - ◆ Power shortages in Japan
  - ◆ Floods in Thailand
- Changes in customer value
  - ◆ Digitalization, networking, mobile trends
  - ◆ From product possession to service utilization

# 17<sup>th</sup> MTP Final Year Targets

Previous: May, 2011

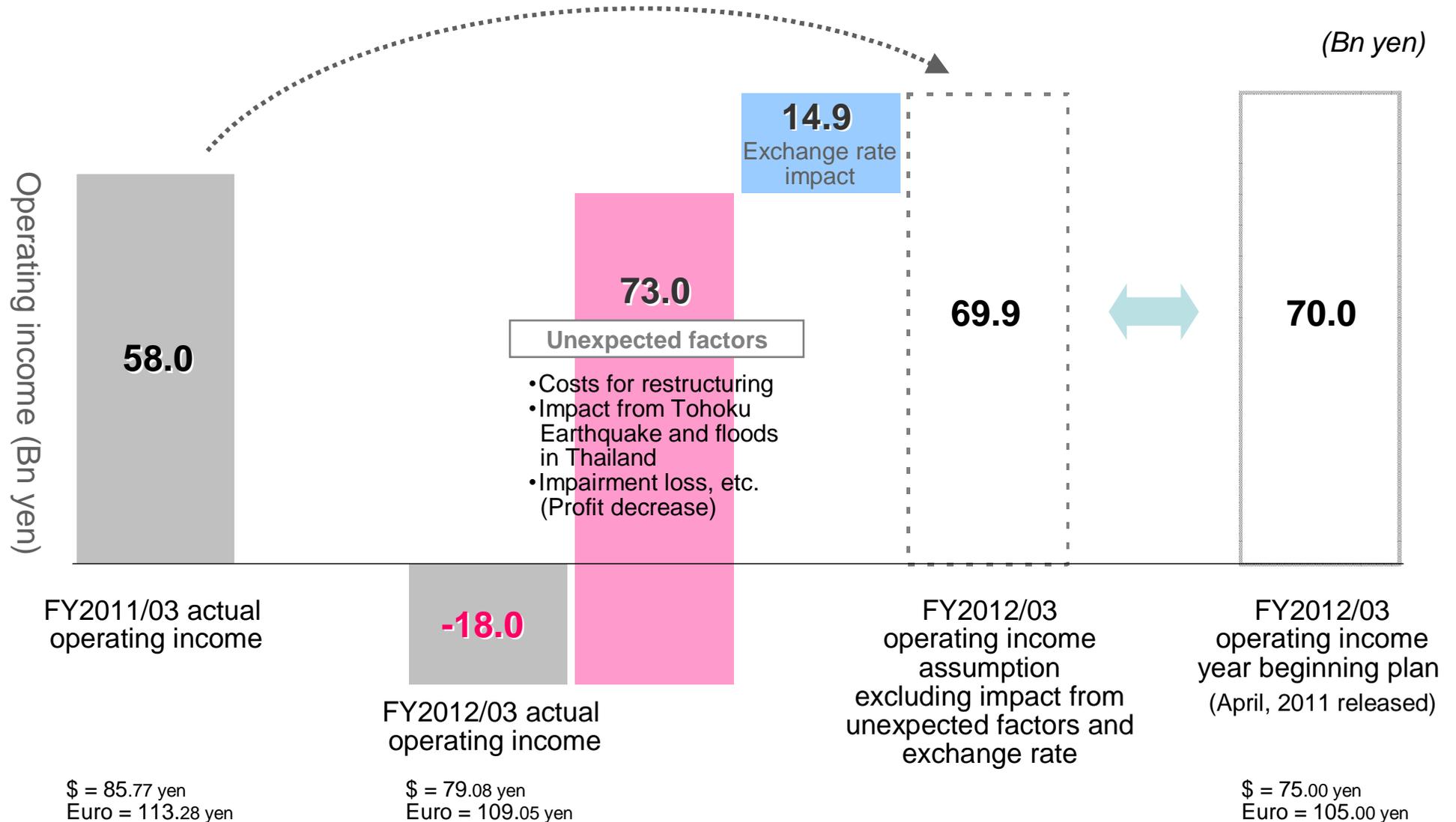
Present: May, 2012

\*Figures on a Group consolidation basis

	FY2014/03 (Final year of 17 <sup>th</sup> MTP)	FY2014/03 (Final year of 17 <sup>th</sup> MTP)
Net sales	<b>2,400.0</b> bn yen or higher	<b>2,100.0</b> bn yen or higher
Operating income	<b>210.0</b> bn yen or higher	<b>150.0</b> bn yen or higher
Operating margin	<b>8.8%</b> or higher	<b>7.1%</b> or higher
ROE	<b>10.0%</b> or higher	<b>10.0%</b> or higher
FCF	Approx. <b>200.0</b> bn yen (Total from FY2012/03 to FY2014/03)	Approx. <b>50.0</b> bn yen (Total from FY2012/03 to FY2014/03)
Total return ratio (Dividends and treasury stocks)	Approx. <b>30%</b>	Approx. <b>30%</b>
Exchange rate	\$ = 85 yen, Euro = 120 yen	\$ = 75 yen, Euro = 105 yen

# Impact on Business Performance Due to Environmental Changes

## ➤ FY2012/03 operating income: YoY comparison



## Major problems in profit structures

- Growth in office printing businesses became sluggish
- Fixed costs increased due to investments for growth
- Organizational hierarchies were multiplied, and ancillary operations increased
- Deviations in structural reforms became observable



## Major challenges

### Accelerate restructuring

- Reinforce basic functions such as R&D, production, marketing, and sales
- Reengineer all operational processes
- Review human resource deployment

### Implement growth strategies

- Reinforce profitability in core businesses
- Develop new markets
- Establish new business cores other than Imaging & Solutions

# Initiatives to Restructuring

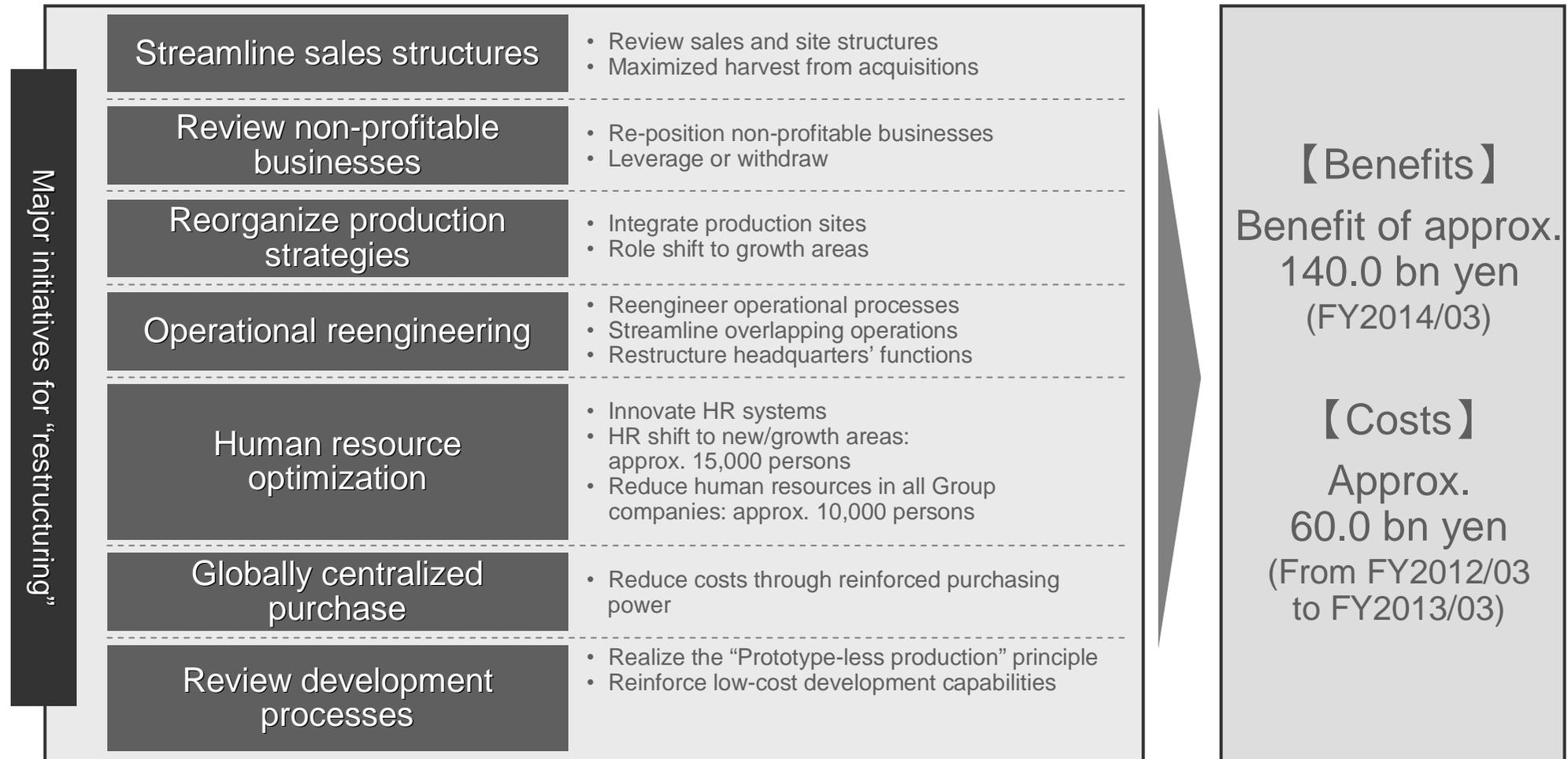


# Achieve Highly Effective Management

## ➤ Achieve a robust operational structure

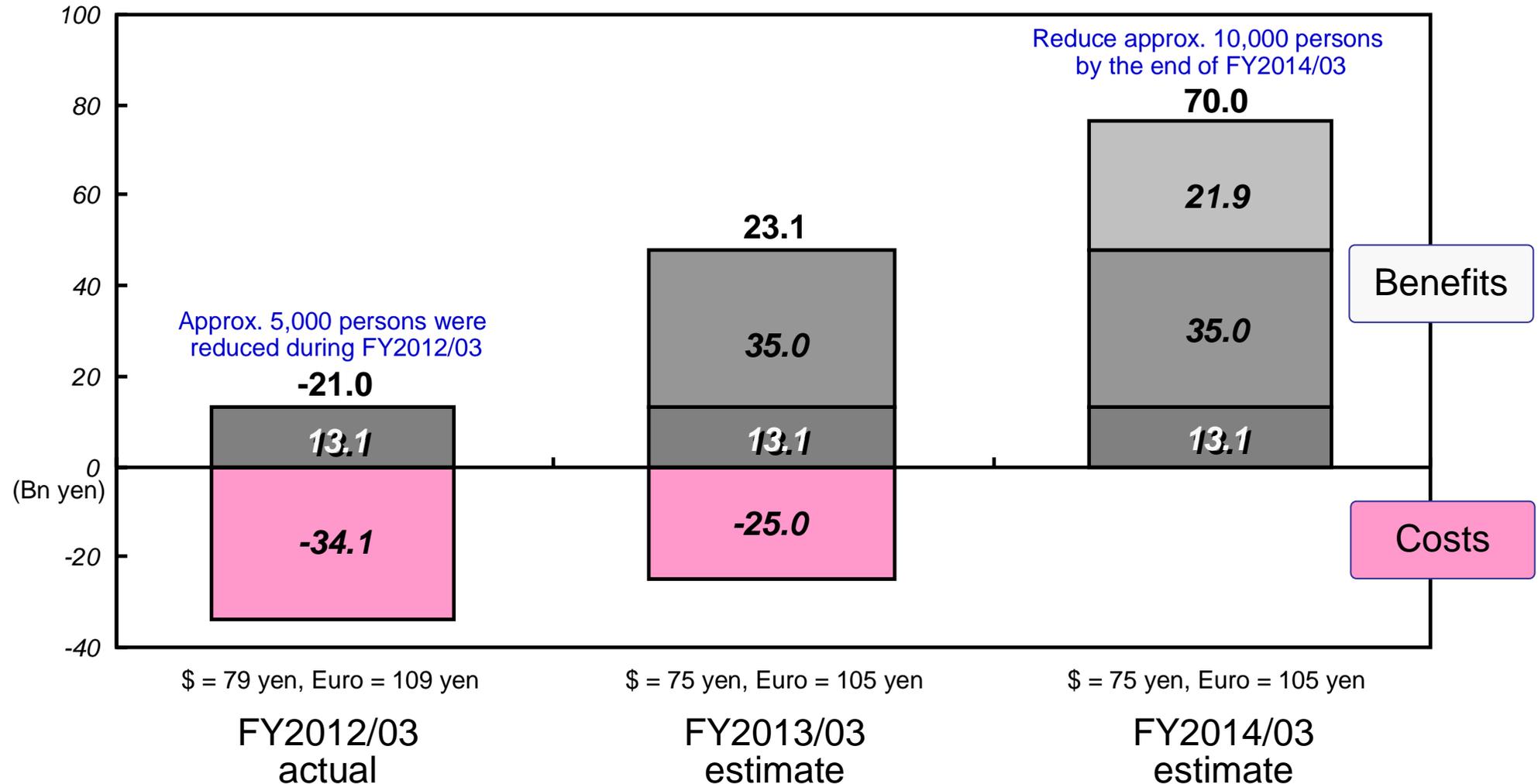
### ◆ Realize in-depth “restructuring” as part of CRGP

CRGP: Corporate Restructuring and Growth Program



# Achieving Robust Management Structures

- Costs and benefits of human resource optimization
  - ◆ Benefits of 70.0 bn yen are expected at the end of FY2014/03



1. Improve sales and post-sales service productivity
  - Reduce ancillary operations
  - Innovate working styles (mobile-based jobs) to increase customer contact hours and sales
2. Streamline administrative operations
  - Eliminate redundant “in-company transaction systems”
3. Relocate offices
  - Optimize sales strength through working style innovation and dealer contacts
4. Reengineer HR performance evaluation systems
5. Streamline operations through IT utilization

- Strive for streamlined operations through full-scale BPR development
- Promote low-cost development and production by integrating production sites and reviewing development processes
- Restructure unprofitable businesses
- Reduce procurement costs through expansion of global centralized purchasing systems



## **Operating margin of 10% or higher**

Establish management structures to always realize an operating margin of 10% or higher

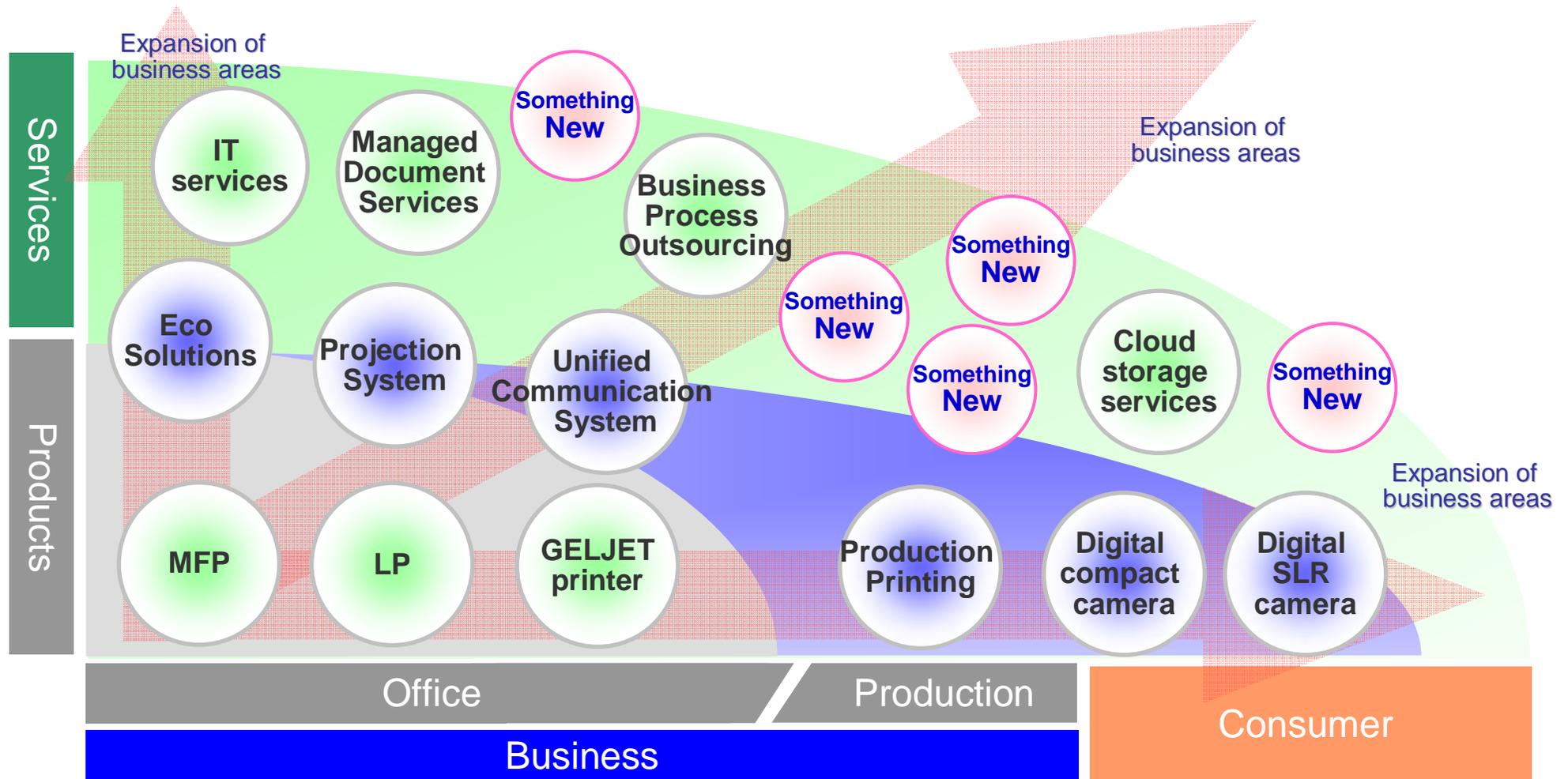
# Challenges for Creating the Future



# Challenges for Creating the Future

## ➤ Create new innovations

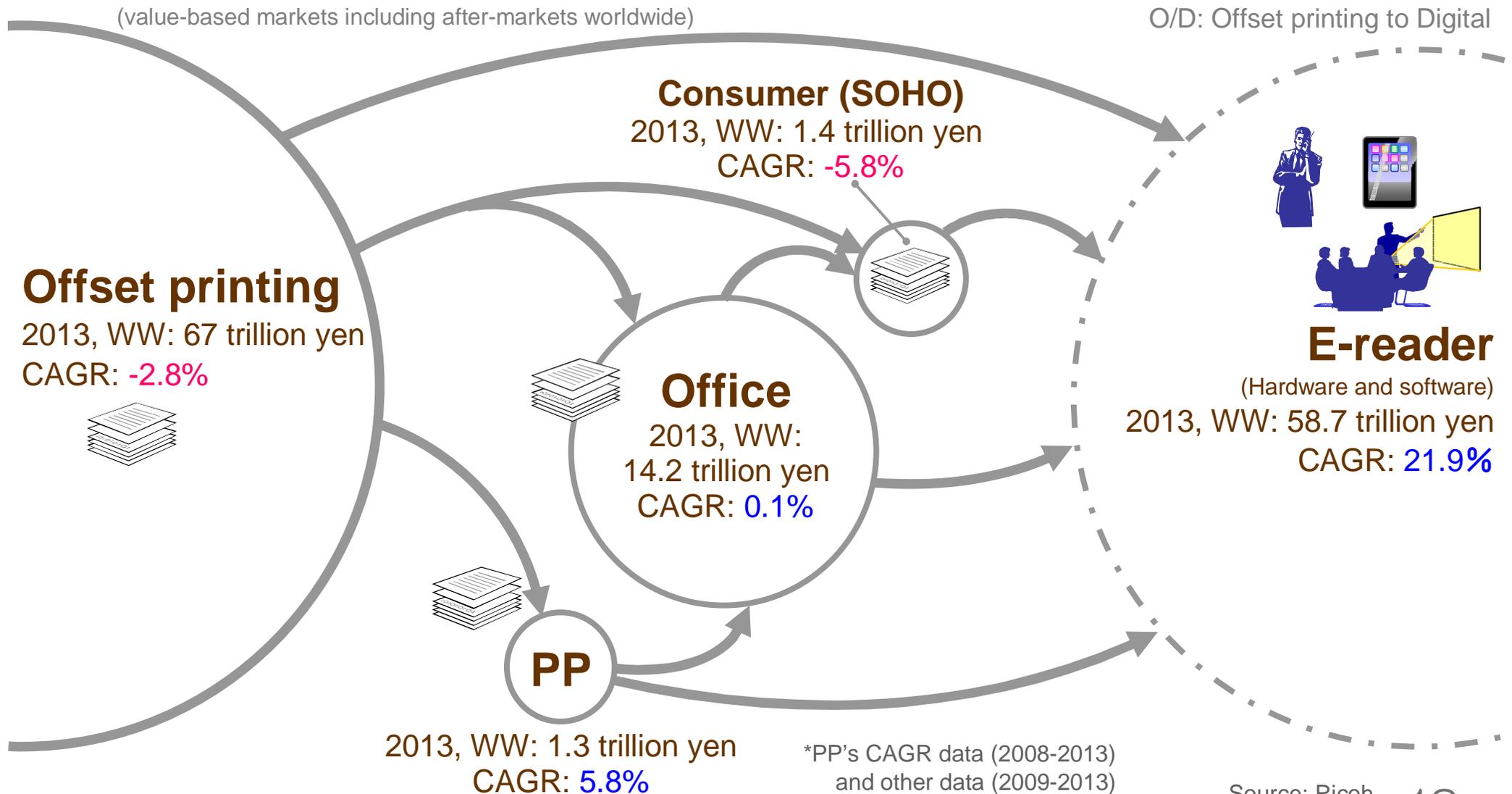
- ◆ Reinforce products and services
- ◆ Increase customer shares for Ricoh products and services



# Print Volume Flows in Printing Business

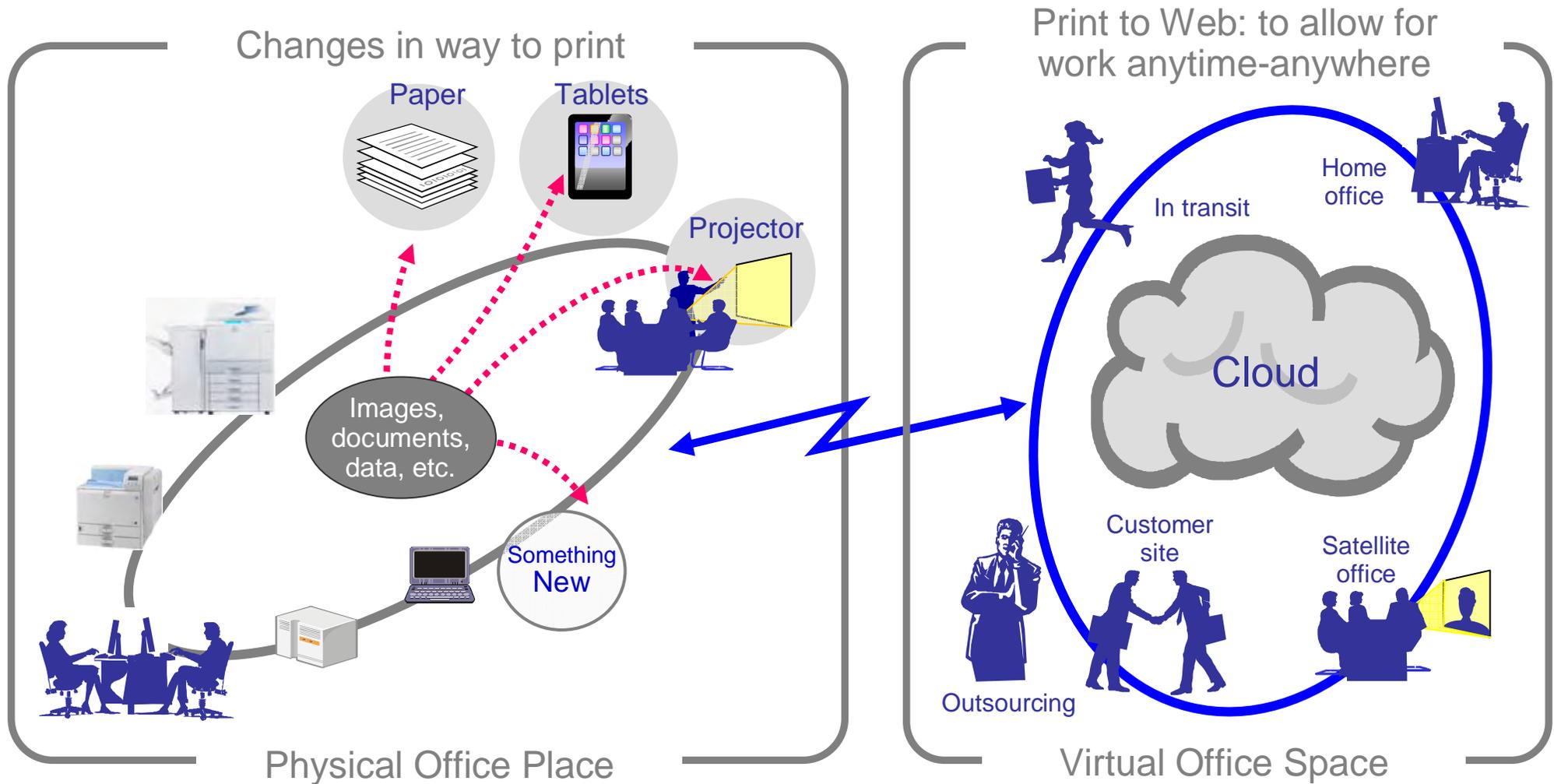
- Print volumes in offices remained flat, and O/D conversions and e-reader usage are increasing

(value-based markets including after-markets worldwide)



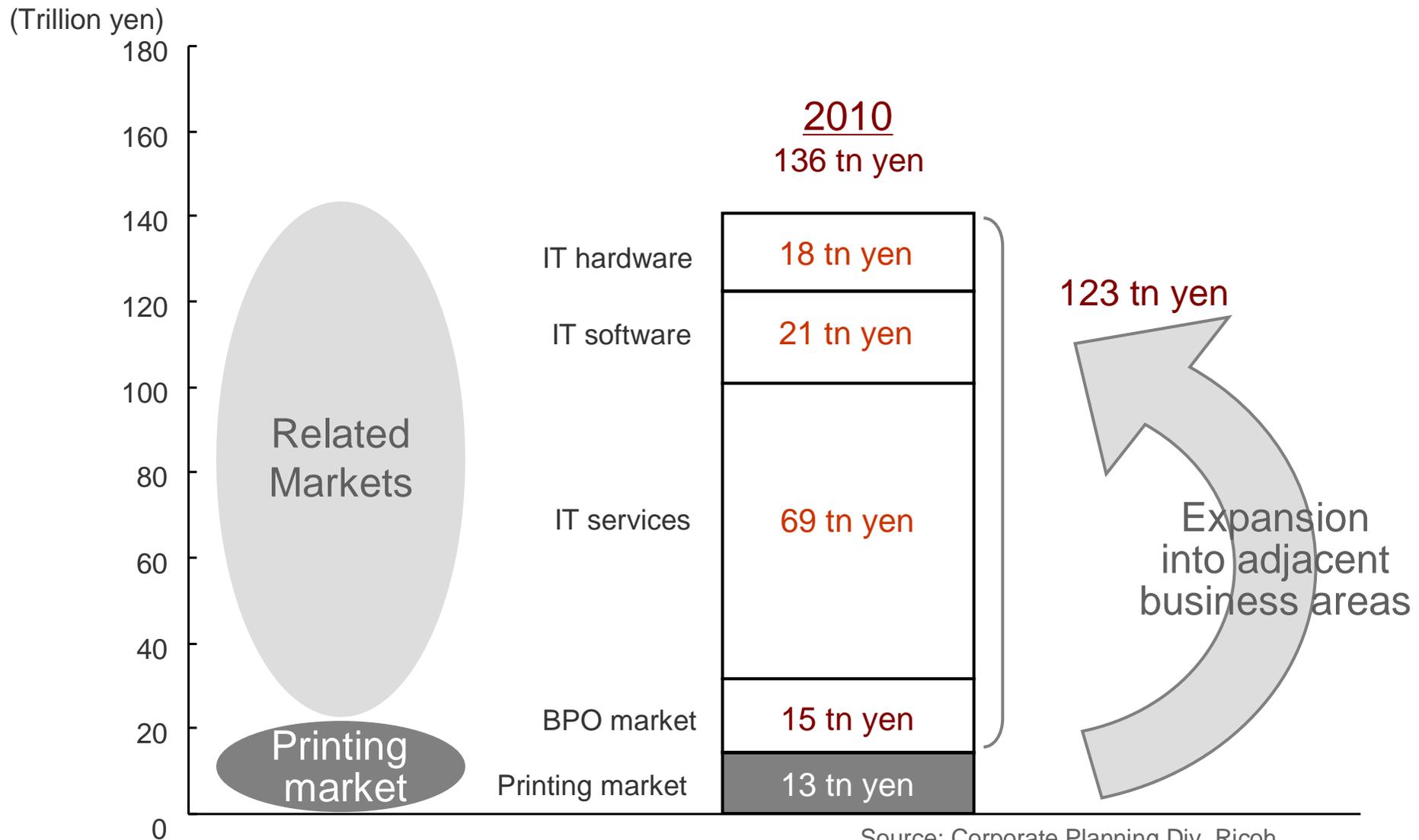
# Offices and Working Styles in the Future

- Changes in working style due to mobile/networking trends
- Expansion in paperless communications



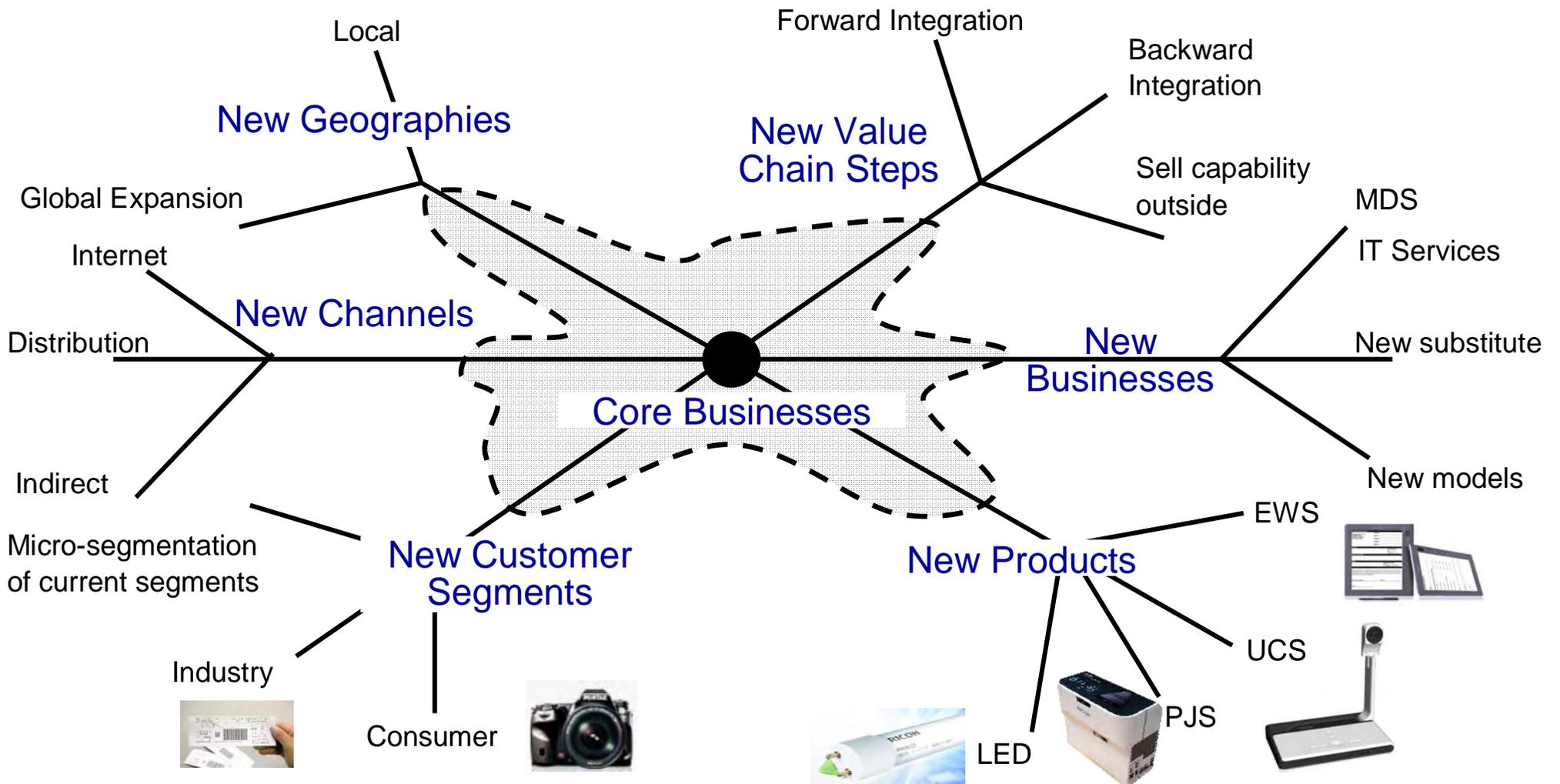
# Scale of IT-related markets

- Total demand was approx. 13 trillion (tn) yen for the printing market and approx. 123 tn yen for related markets.



# Adjacency Strategic Approach

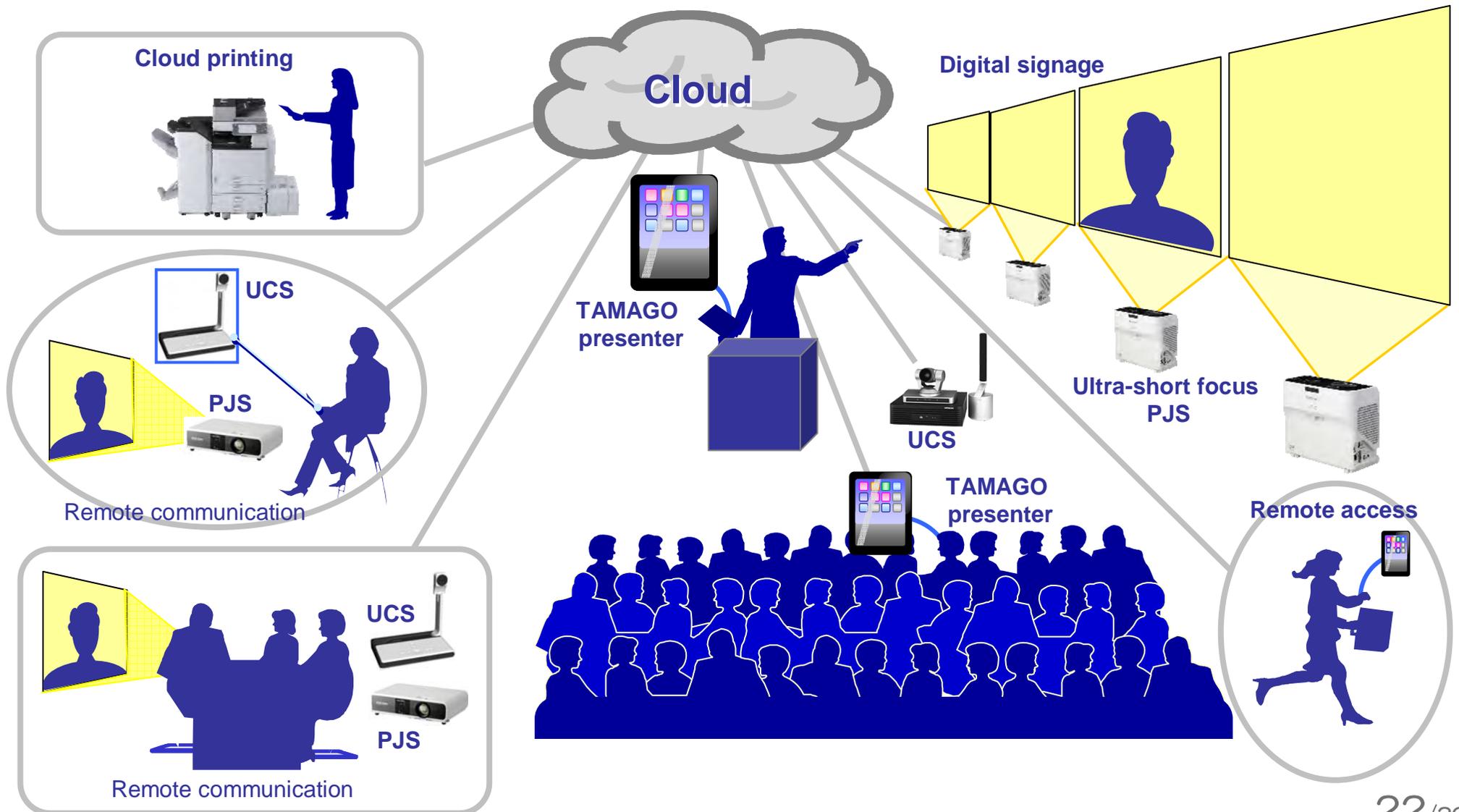
- Adjacency strategy approach helps our business expansion decisions



Source: "Profit from the Core" by Chris Zook, Bain & Company, Inc.

# New Customer Value Proposition

- Create customer value through combinations of existing products and new products



## Achieve “growth” and “restructuring” simultaneously

### 1. Business Creation and Integration



1. Simultaneously acquire and maintain the top market share
2. Enhance customer values by creating synergies among core businesses and new businesses
3. Accelerate business structure transformation to service businesses for developed markets
4. Accelerate business growth in emerging markets
5. Increase earnings from the Production Printing business

### Establish highly effective management



- ▶ Realize a robust operational structure in order to develop growth strategies

# 1. Acquire and Maintain the Top Market Share in Core Businesses

- Reinforce product competitiveness, and increase value through redefined core businesses

## FY2011 achievements

- Obtained higher market shares
  - MFP: 1<sup>st</sup> in Japan, US, and Europe
  - Color LP: 2<sup>nd</sup> in Japan, 6<sup>th</sup> in US, and 8<sup>th</sup> in Europe, with increasing trends
  - Product lineups were reinforced
- Reduced environmental burden
  - Ricoh's proprietary technologies such as lower-temperature toner and fusing were used in Office MFPs to achieve the world-class\* energy saving
  - 3Rs (Reduce, Reuse, Recycle) were expanded

\*As of February 7, 2012, in comparison with "Energy Star"-based products registered in 2011 that were publicized by ECCJ. These products include copiers, fax machines, and MFPs with scanning features that can process jobs of 28-50 sheets per minute.

## Future development

- Redefine Ricoh's one-stop solution
- Reinforce MFP profitability
- Improve competitiveness through technologies to reduce environmental burden
- Reinforce customer-centric marketing
- Implement thorough customer-centric sales activities by customer contact capability

## 2. Enhance customer values by creating synergies among core businesses and new businesses

- Promote new business development by shifting resources from core businesses

### FY2011 achievements

- Developed new businesses
  - New businesses such as ECS (LED illumination), PJS, RHM, EWS, started
    - \*ECS : Eco Solutions
    - \*PJS : Projection System
    - \*UCS : Unified Communication System
    - \*RHM: Rewritable Hybrid Media
    - \*EWS : Ewriter Solutions
- Accumulated values for existing customers and acquired new customers



### Future development

- Establish business bases and accelerate business expansions
- Provide values through combinations of “Imaging & Solutions” and new products

### 3. Accelerate business structure transformation to service businesses

- Reinforce “products + services” mainly in developed markets

#### FY2011 achievements

- MDS was reinforced
  - Net sales increased approx. 20% from previous year
  - Global major deals were acquired (17 deals)
  - Structures were reinforced mainly in US and Europe
- Network system solutions were reinforced
  - Net sales increased approx. 10% from previous year
  - Structures in each Region were reinforced

#### Future development

- Expand “Share of Wallet” for our existing customers
- Provide value in three domains of document, IT services, and communications
- Improve value propositions for each customer
- Further reinforce structures in each Region
  - Acquire skill sets and more specialists. Develop operations.

## 4. Achieve business growth in emerging markets

### ➤ Develop localized products/services

#### FY2011 achievements

- MFP market shares were expanded
  - Market shares increased in China and AP
- Product competitiveness was reinforced
  - A4 MFP developed in China was released in emerging markets
- Sales were reinforced
  - Sales company was established in Vietnam
- R&D functions were reinforced
  - An R&D company for IT was established in India

#### Future development

- Reinforce product lineups for emerging markets
- Create localized products and services to meet various local needs
- In addition to BRICs, develop new markets to be prioritized
  - Specify Vietnam and Indonesia as key markets
- Improve brand recognition
  - Capitalize on PENTAX/RICOH digital camera brand

## 5. Increase Earnings from Production Printing Business

### ● Expand earnings in color cut sheet and other markets

#### FY2011 achievements

- Product competitiveness was reinforced
  - New products were released in the Light-High class of cut sheet market
  - Environmental performance was improved (Pro C751/651S)
  - An environment-related award was presented for Pro C901/901S thanks to their energy-saving design \*1
- Color cut sheet market shares were expanded
- Business alliances were reinforced
- RPPS' business structure was reorganized \*2

\*1 Won "Energy Conservation Grand Prize for excellent energy conservation equipment: Chairman Prize of ECCJ" (ECCJ)

\*2 Ricoh Production Print Solutions LLC

#### Future development

- Further reinforce product competitiveness
- Develop commercial printing markets
- Create highly profitable business models through "solutions and services"
- Improve RPPS' profitability

# To Achieve 17<sup>th</sup> MTP Targets



## FY2014/03 targets

\*Figures on a Group consolidation basis

Net sales

**2,100.0** bn yen

Operating income

**150.0** bn yen

Operating margin

**7.1%**

ROE

**10.0%** or higher

FCF

Approx. **100.0** bn yen  
(FY2014/03)

Total return ratio  
(Dividends and treasury stocks)

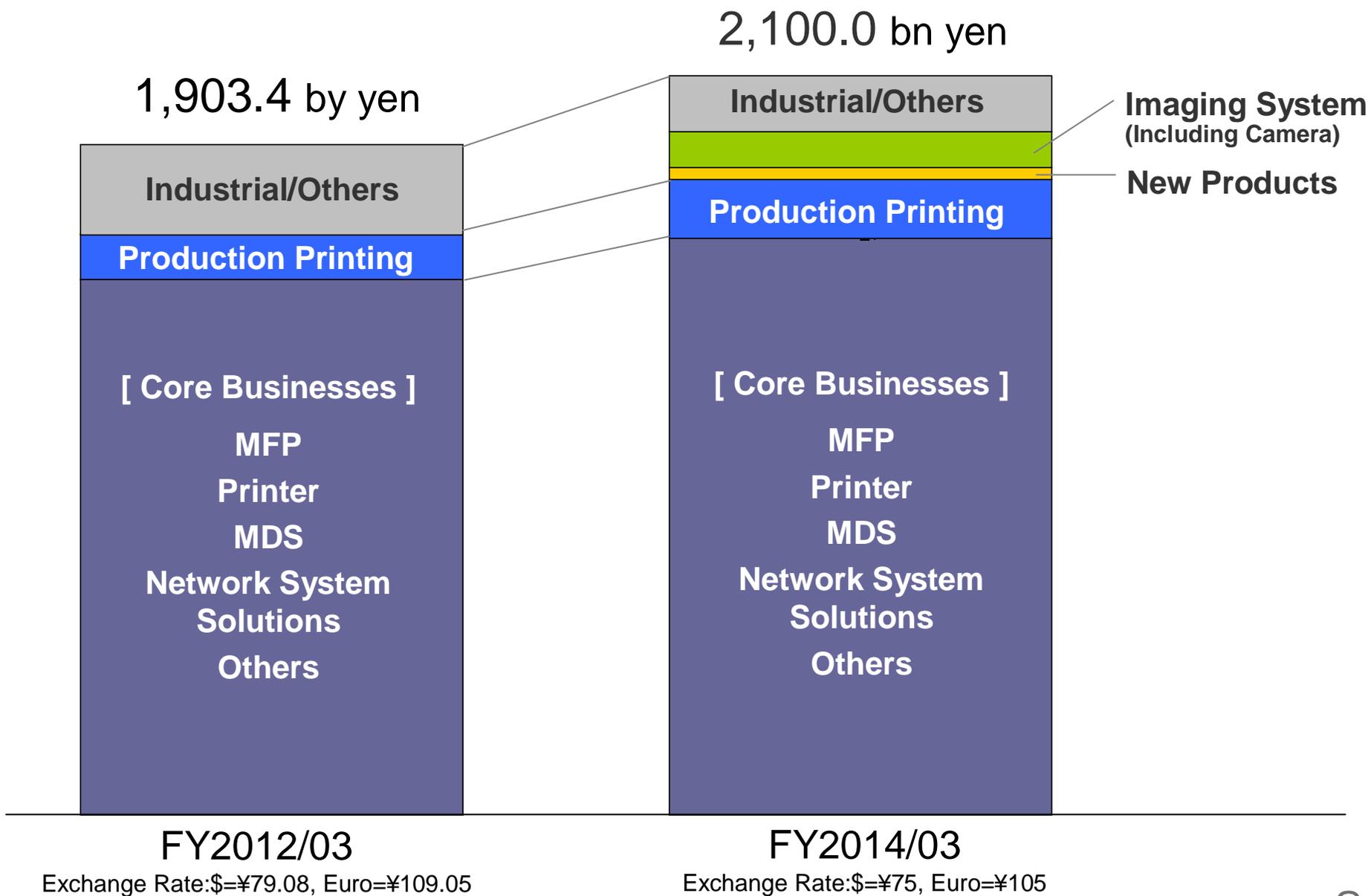
Approx. **30%**

Exchange rate

\$ = 75.00 yen, Euro = 105.00 yen

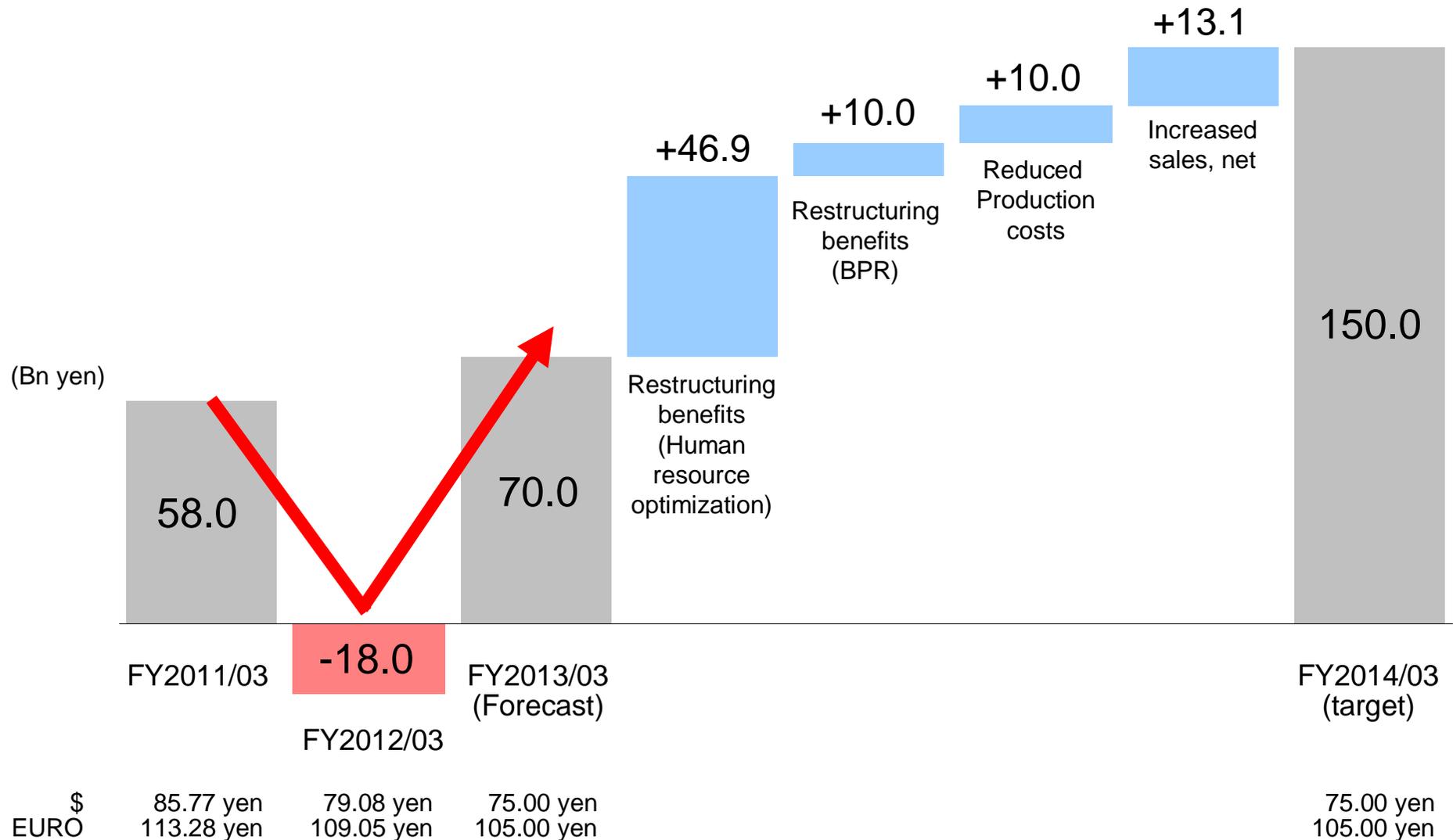


# 17<sup>th</sup> MTP Targets: Net Sales by business domain



# 17<sup>th</sup> MTP Targets: Operating Income Trends

- Strive to achieve a V-shaped recovery during FY2013/03, and obtain results from restructuring during FY2014/03





Imagine Our Customers' Futures, Change Ourselves

**RICOH**  
imagine. change.

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