

<NOTICE>

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We are in the last year of the 17th Mid-Term Management Plan. We are in the process of compiling the new 18th Mid-Term Management Plan, which will begin next April. I will not disclose details of the plan today, but would like to talk about the new direction Ricoh will be taking.

**P3 Trends over 4 MTPs (14th-17th)**

- In the 16<sup>th</sup> -17<sup>th</sup> Mid-Term Plan, there were a number of factors –the global financial crisis, the earthquake and tsunami, the yen appreciation, and impairment losses. Operating income was negative in FY 2012/03.
- Operating income recovered to 63.4 billion yen in FY 2013/03, which still remains lower level than FY 2008/03.
- We are expecting to see 140 billion yen operating income this fiscal year.

**P4 17<sup>th</sup> MTP Basic Strategies**

- ‘Simultaneous achievement of Growth and Transformation’ was our slogan.
- With this slogan, we acted along a strategy of ‘business creation and integration’ and ‘establishing highly efficient management’.

**P5 Management Strategy Development over 4 MTPs**

- Since the global financial crisis in 2008, we have worked on various measures CRGP (Corporate Restructuring and Growth Project) to simultaneously achieve Growth and Transformation.
- We have continued to work on HR optimization, BPR and reducing expenses.
- In order to create pillars for the new businesses, we have made acquisitions and investments into new products, services, and management structures. The biggest initiative was the acquisition of InfoPrint, a first step toward Production Printing.
- As new office services, we continued with IT services and Managed Document Services, which are finally showing success.
- To support office services and improve share of wallet with our customers, we have begun new businesses (Projection System, Unified Communication System, Eco Solutions, and Interactive Whiteboard).
- With PENTAX, which we acquired in 2011, in combination with Ricoh's optical

technology, we embarked on new businesses such as FA (Factory Automation).

- Rewritable laser system is a new technique based on existing thermal technology.
- We embarked on new camera businesses which also involve PENTAX technology.

#### **P6 Commitments to and Results from “Transformation” in the 17<sup>th</sup> MTP (1)**

- In innovative development processes, we established Ricoh Technology Center in Ebina, integrating engineering and development functions.
- In April of this year, we established Ricoh Technologies Company, LTD, consolidating all the fragmented development functions.
- As for streamlining sales and after-sales support, we had two separate operations, AP and China – which were integrated as one regional sales and operating company, from April, 2013.

As a result, China business also has been picking up from May.

- In addition, we conducted a Reorganization of regional sales and operating companies in the Americas and Integration of PP sales companies for streamlining.
- In production, we closed the manufacturing function at the Gotemba plant.
- We integrated a number of production companies and functions in Japan and established Ricoh Industry Company Limited.

As for overseas production sites, we reinforced and expanded the plant in Thailand. With production volume in China being so large, but we decided to expand the production site in Thailand as the core site for achieving further growth in Asia, Oceania and India.

- As for reorganization of the office business structures, we establish the Business Solutions Group. Global marketing and other functions were consolidated to make this happen.

We also integrated imaging technology development functions, combining MFP and LBP businesses.

- To focus more closely our customers, we reorganize our businesses in a customer-centric way rather than based on product lines.
- We are gradually integrated software development functions at the headquarters as well as in all of the sales offices, in line with our commitment as a service provider.

#### **P7 Commitments to and Results from “Transformation” in the 17<sup>th</sup> MTP (2)**

- We have reduced head counts by approx. 10,000 globally.
- We are not only reducing head counts, but at the same time, strengthening our

- core businesses. We are also relocating HR to new business domains.
- We are promoting globally integrated purchasing by establishing a Global Procurement Division and purchasing sites in Thailand, in order to not only control prices, but secure procurement in times of natural disasters while avoiding currency fluctuation risks.
  - We are re-engineering operations by improving sales processes and standardizing, integrating and outsourcing of indirect operations in each of the countries.
  - Review of unprofitable businesses is ongoing with selling of the measuring device business and transformation of the semi-conductor business.
  - The semi-conductor business was prone to problems and often resulted in a loss, but is now profitable.
  - As a result of transformation of the camera business, we established Ricoh Imaging by integrating Ricoh and PENTAX. We are forecasting a profit for this business within this fiscal year.

**P8 Commitments to and Results from “Growth” in the 17<sup>th</sup> MTP (1)**

- We began Production Printing in 2008 with a mid-range color cut sheet model. We have expanded the product line up sequentially, and have strengthened the cut sheet/ color segment.
- As for continuous form, which is our conventional printer for continuous slip/form paper, we utilize the technologies of the companies we have acquired.
- As for the wide format segment, over the last year, we have introduced a new gel-jet MFP and new larger signage purpose printers.
- We expanded the product line for PP business, and steadily increased sales of non-hardware.

**P9 Commitments to and Results from “Growth” in the 17<sup>th</sup> MTP (2)**

- We are accelerating the shift to a service-led manufacturing company.
- This involves, as I have mentioned several times in the past, global expansion of Managed Document Service and IT services.
- Fortunately, according to the statistics reported by a research company, our MDS business is ranked No. 2 in the world, while another research company ranks us the industry leader.
- Looking at the sales trend of IT services, and network system solutions, CAGR has increased 9% since March, 2011, growing into a large scale business.

- Our strength lies in global sales and service capability –we need to be on-hand in order to satisfy our customers. Another of our strength is our imaging device business – image processing capability including MFP, LP and PP. IT building and operation which we have been working on for a long time, is another of our strengths.
- We strongly believe that we need to connect product, i.e. hardware, with services. Let me stress we do not intend to move away from hardware.
- With new businesses, it is difficult to win customers, therefore, we have continued to do small scale M&A which are growing into a larger scaled businesses.
- We have made a full round of investments covering the globe, and expect healthy returns.

#### **P10 Commitments to and Results from “Growth” in the 17th MTP (3)**

- As for new businesses, there are two. On one side are the new domains in core businesses. The Projection System, Unified Communication System and Interactive Whiteboard are combined with core businesses and marketed together.
- We have now entered the communication domain in addition to the document domain.
- This move has been appreciated highly by our customers, and together with the core businesses, we are seeing good circulation.
- As for industrial products, i.e. Factory Automation lens and camera and security cameras, Pentax B to B technology has now been transferred to Ricoh, and this business is growing fast.
- RECO-View and Rewritable Laser System use thermal technology and offer new value to logistics and production.
- In the other segment, we will continue to pour resources into Digital SLRs, Mirrorless cameras and Ricoh’s conventional high-end compact cameras to make this into a solid business. We are seeing an increase in share and expect healthy growth.

#### **P12 FY2014/03 Basic Policies**

- For this fiscal year, what we have been doing in FY2013 was let the culture of transformation sink in within the organization and accelerate growth under the slogan of the 17th MTP following four basic policies.

#### **P13 FY2014/03 Consolidated Financial Results Forecast**

- In terms of numerical targets, 2 trillion 130 billion yen in net sales and 140 billion yen in operating income (operating margin: 6.6%) are the current forecast.
- From the 63.4 billion yen posted the year before, operating income will be up 120%. The operating margin is targeted to increase 3.3 percentage points from the year before.
- Net income per share is expected to be 110 yen, up 146% year on year. The ROE is forecasted at 8.5 %.

#### **P15 Prospects for market growth for core businesses**

- Next, I would like to talk about markets adjacent to imaging products.
- Imaging markets are the core of our core businesses. Hardware/Software is 40 billion dollars, and Support Services is 70 billion, together 110 billion dollars.
- There are huge markets with high growth adjacent to the imaging market. IT infrastructure is an enormous market with 968 billion dollars in size. Application comes to 371 billion dollars. Business process represents 168 billion dollars. This is the kind of potential we are taking about.
- We already have presence in those outsourcing segments with MDS and IT services. In IT infrastructure we are gradually breaking into some segments of the market. And we have relatively big presence in applications already.
- Our biggest strength lies in imaging, so in our future directions we will reinforce this business to the fullest extent possible.
- In addition, in order to earn customer loyalty, we will need to enter markets such as business process, application and IT infrastructure or to collaborate with other companies to meet to customer changing needs. Therefore in this area, we are hoping to develop new growth markets by collaborating with others.

#### **P16 Medium-Term Management Framework**

- We also do have management framework to achieve the plan shown here.
- First, we will expand business domains, develop strategies and execute them.
- Secondly, since an increasing number of our customers are doing their business globally, our management system will need to globalize further.
- Thirdly, we must internalize our transformation until it becomes second nature.
- And the other side of the coin in all these efforts is the globalization of human resources utilization.
- My intention is to integrate all these efforts rather than pursuing each separately.

#### **P17 I. Expand Business Domains and Accelerate Strategic Execution**

- As for business domain expansion and implementation of strategies, here is our approach.
- The orange portion indicates the office business domain. The production printing business overlaps a bit with internal printing of the office business domain. And industrial business domain also has some parts overlapped. Then there is the consumer business domain.
- Previously, we tended to explain our business by product, such as MFP and LP. But going forward, we will segment our businesses by customer as shown here.

#### **P18 I. Expand Business Domains and Accelerate Strategic Execution**

##### **(1) Overview of Office Business Domain]**

##### **①-1. Current Core business**

- We will further strengthen our product capability in this area.
- Since the beginning of this fiscal year, we have already launched 5 products in 19 different models of color MFP.
- They are well received by our customers.

##### **①-2. Future Core business**

- We provide new outsourcing and satellite office solutions utilizing Ricoh's managed cloud.
- Furthermore, whiteboards, projectors are being offered to help grow the core businesses.
- We provided these products and services to annual meetings of IMF (International Monetary Fund) and World Bank last year and have just provided products and services to the APEC Transportation Ministerial Meeting being held from 4th to 6th of September. Business like this is now increasing globally.
- Through these efforts, we are hoping to support further development in an area that could not grow otherwise.

#### **P19 (1) Emerging Markets**

- We expand by prioritizing countries such as China, Russia, India, Brazil, Mexico, Turkey and Vietnam.
- In the core business, emerging markets are a bit different. There are two directions.
- One is further growth in the conventional business models.

- In Asia Pacific, we have been posting more than 10% growth per annum in sales and record over 10% in operating margin, which is a very positive result for us. And we expect the business to grow further.
- On the other hand, we could see emerging countries take a leap forward and enjoy rapidly development hither to limited to industrialized countries.
- Therefore we are expanding local R&D centers, and we have divided our sales network according to those two directions.
- Moreover, as a local production base for local consumption, we are reinforcing our plant in Thailand.

#### **P20 (2) Industrial Business Domain**

- In the industrial business domain, we provide products and services such as Security and Factory Automation
- In security, we have infrared cameras. We also highlight our new digital binoculars, which eliminate rain and fog. When you look into the far distance, shimmering heat and fog tend to obscure the view, but with these new binoculars used for security work, you can enjoy a clear view.
- There is a new product called digital binoculars, which exclude rain and fog. When you try to look at a distance miles away, heat shimmer and fog tend to block the view, but with those binoculars used as a security camera, you will have a clear view through image processing.
- In FA, we have Depth of Enlargement Camera. What this means is that, when items are moving along the production line in a factory, with improved focusing and image processing, the camera will help detect defective products at different distances with clear focus.

#### **P21 (3) Consumer Business Domain**

- Digital SLR (single lens reflex) cameras, mirrorless SLRs and premium compact cameras are very popular, and selling well.
- We released a spherical camera called RICOH THETA, which allows you to take a picture of 360 degrees around you. It can be used as a B-to-C or B-to-B product. It is very promising and exciting.

#### **P22 II. Reinforce a Global Management System**

- ① Customer – oriented business structures
- We established a business solution group as of August 1, 2013.

- The strategy for the office business is to consolidate product planning and marketing functions and have responsibility for sales in each region. In so doing, we are hoping to get accurate information on customer requirements as soon as possible to implement what I would call service-led business or products combined with solutions and services precisely and rapidly.
- ② Utilize product or service use information
  - We put in place a system that shares accurate information such as success story in one country directly among regions and with the head office. It used to be that all these pieces of information were picked up by the head office, and then made them known to other regions.
  - In fact, there are rapidly increasing cases where local customers have led to global deals for us by mutually sharing information.
- ③ Financial strategies to further contribute to business growth
  - We are committed to generate more free cash flow management and enhanced asset efficiency.
- ④ Core technologies and optimization of technological resources
  - This is also about strengthening our core businesses from perspective of the future.
  - This was originally carried out only in the head office, but is now practiced globally, creating platforms to support service businesses in various places.
- ⑤ Reinforcement of core technologies and optimization of technological resources
  - We are now completing the integration of IT systems in Europe and the U.S.

### **P23 III. Further Implement Self-Motivated Transformation**

- This means to make sure that the process will work autonomously.
- Our original goal was to transform our structure so that we can maintain high profitability, even though the environment has changed.
- To do so, we will need to change business processes. And we have to ensure our financial structure is robust enough to create new businesses.
- We will establish a system where transformation keeps occurring constantly.

### **P24 IV. Improve HR Utilization**

- We will need to accelerate globalized business management and utilize and develop global talent.
- There is a conference called Ricoh Global Executive Summits (GES). We used to



invite only the top executives from each entity but now we also have representation from the second and third layers from the top in the organization, and I discussed strategic issues with them in an open forum.

- We used to leave the HR management in the hands of each country but now we have established a talent base system to allow us to know where the talent is in each country.
- Our mobility program allows people to transfer across regions and countries.

#### **P25 Toward the 18th MTP**

- We position this period as three years that will ensure the Ricoh Group's long-term growth.
- In terms of goals, we are not yet ready to disclose target sales or profits or what part of the businesses we are going to engage in.
- But what we can say is that we are determined to bring up ROE to record high levels in the early stages of the 18th MTP, not in three years time but sooner.
- And while we will keep making investments, we plan to generate about 100 billion yen in free cash flow every year.
- Under these policies, we are now in the course of putting the MTP together and we expect to make the announcement early next fiscal year.

#### **P26 Toward the 18th MTP**

- Ricoh's corporate tagline, that reads: Imagine. Change. This means to change now with the future in mind.
- We have always intuited the business needs of our customers, including business efficiency, and translating them into our business. This is what Ricoh does well and sets us apart.
- Therefore, we would like to develop new businesses based on this concept as a core. We have been document centric in our efforts so far, but going forward, we will engage in businesses that are connected to documents.
- We hope to establish future pillars of Ricoh business so that there is a solid foundation for the future.