

RICOH
Resurgent

Structural Reform
Progress Report

October 30, 2017

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President and CEO

Ricoh Company, Ltd.

Reinforcing PDCA Cycles in Pushing Ahead with Structural Reforms

Slide from April 12 company briefing materials



Board of directors

Reinforcing monitoring and reflecting findings in assessments
(Monthly or quarterly)

Management council

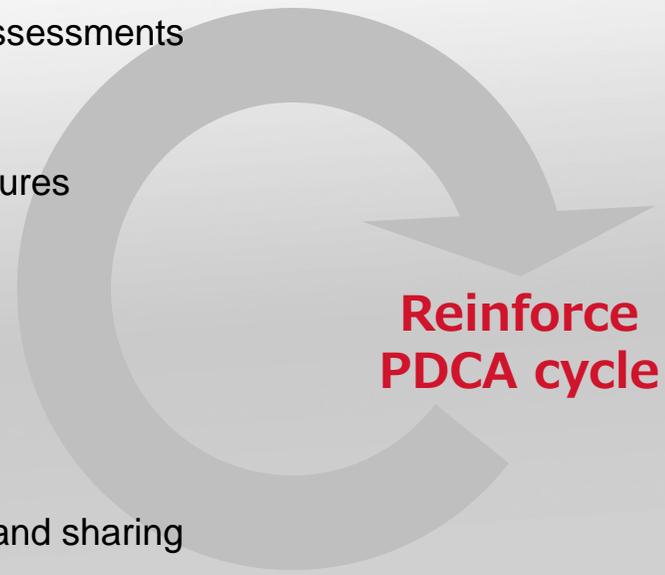
Confirming progress and sharing issues and measures while deciding on structural reinforcement efforts
(When making decisions)

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)



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

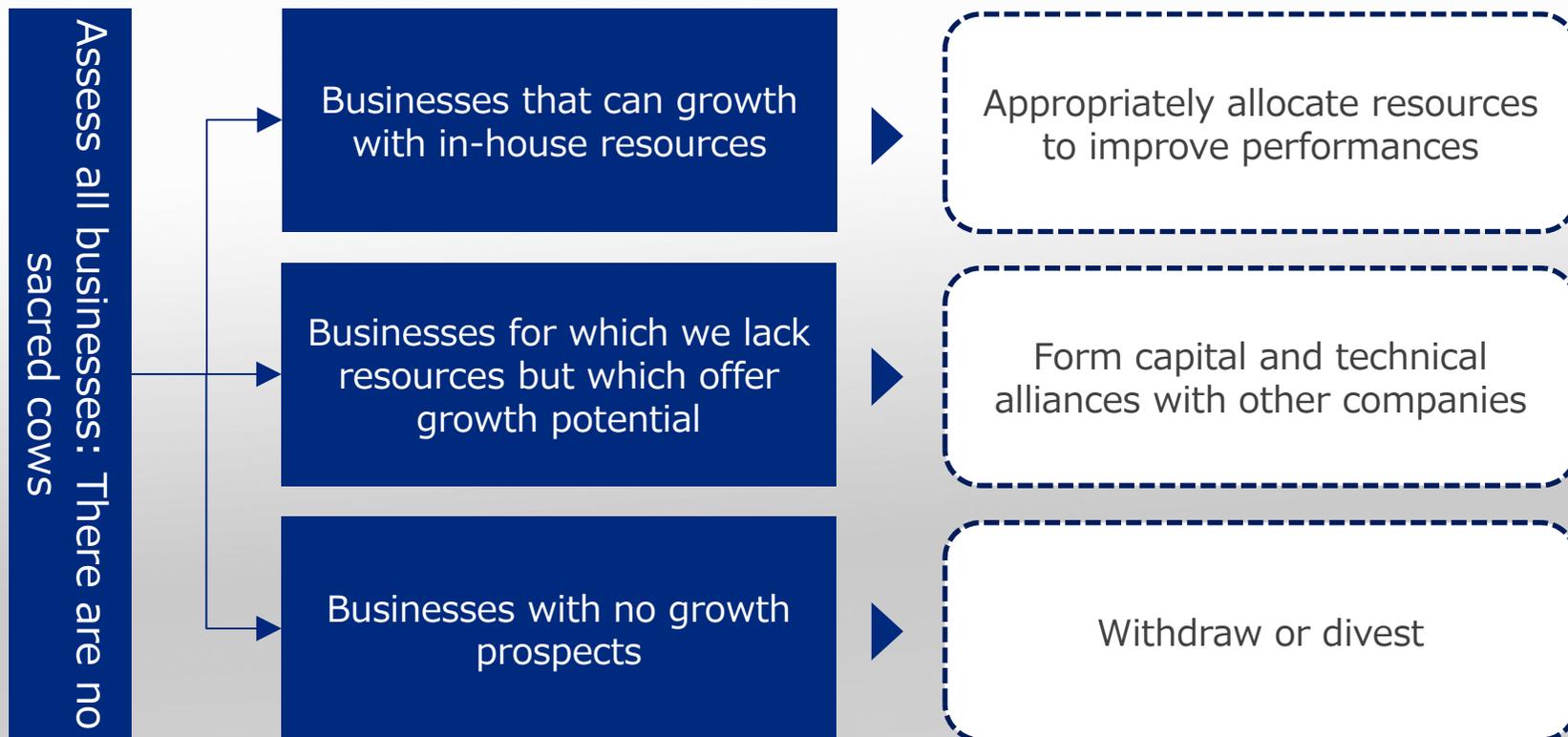
3. Extensive business selectivity

- Leave no stone unturned in screening businesses



Business Selectivity Stance

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





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**



Main Post-Announcement Questions and Answers

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 groupwide by implementing measures to prevent a recurrence.



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



Capital Alliance Goals

Nisshinbo Group (New Japan Radio Co., Ltd.)

- Low-noise amps for audio, automotive, and industrial equipment
- Analog semiconductors primarily for wireless communications and Internet of Things devices
- Bipolar technology

Ricoh Group (Ricoh Electronic Devices Co., Ltd.)

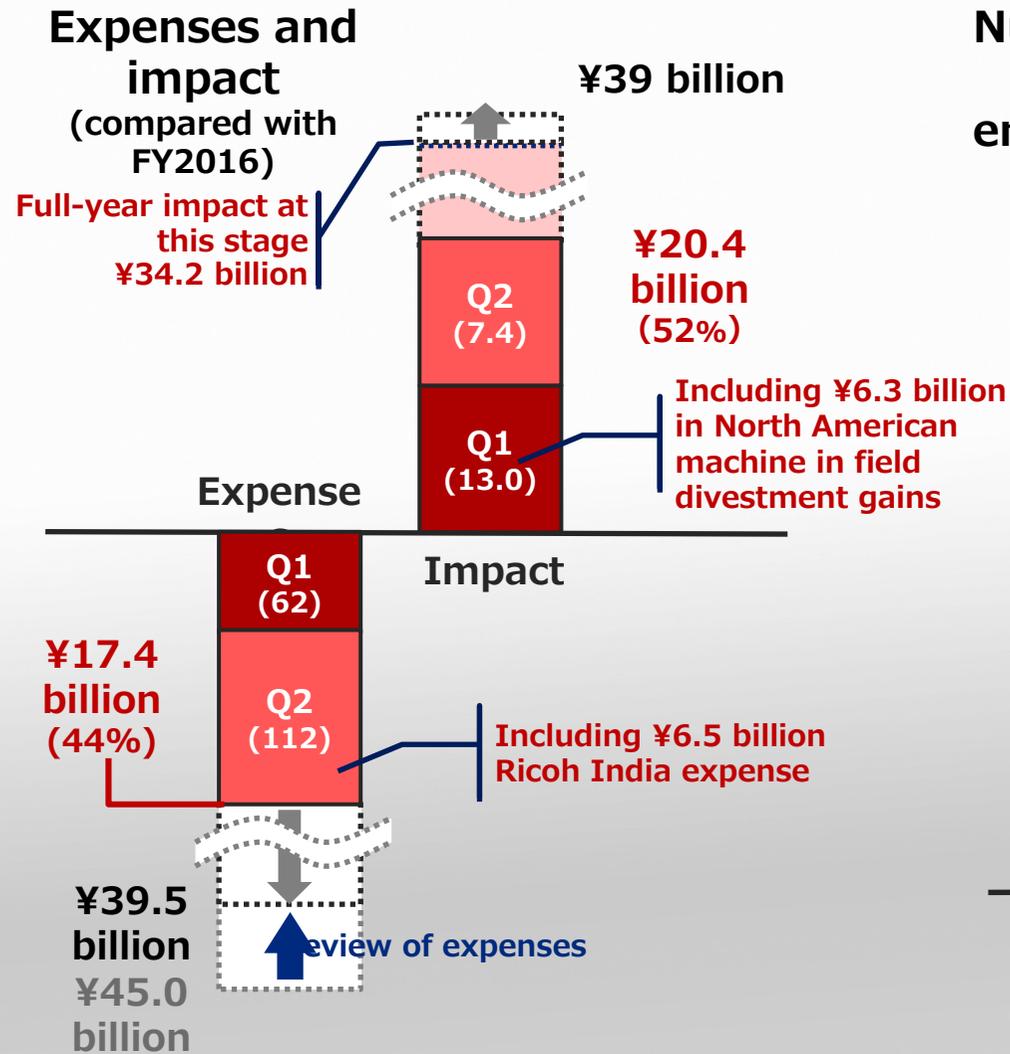
- Compact, low power consumption power supply ICs for mobile devices
- Compact, high-precision protection ICs for lithium-ion batteries
- CMOS technology

✓ Many commonalities, as both focusing on analog semiconductors
✓ Virtually no products competing with each other, so they can pursue synergies

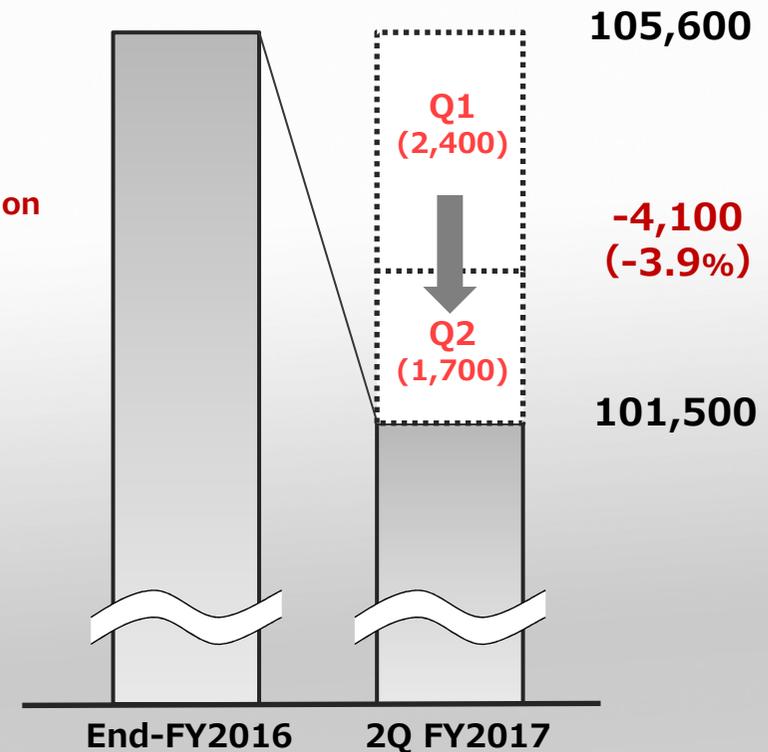
80% Investment **20%** Investment

Drawing on leadership of Nisshinbo Group to drive sustainable progress for Ricoh Electronic Devices and enhance its corporate value
Reinforced electronic devices business contributing to Ricoh's businesses

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



Number of regular employees



Quarterly Plan for Structural Reform Measures

Slide from July 28
company briefing
materials

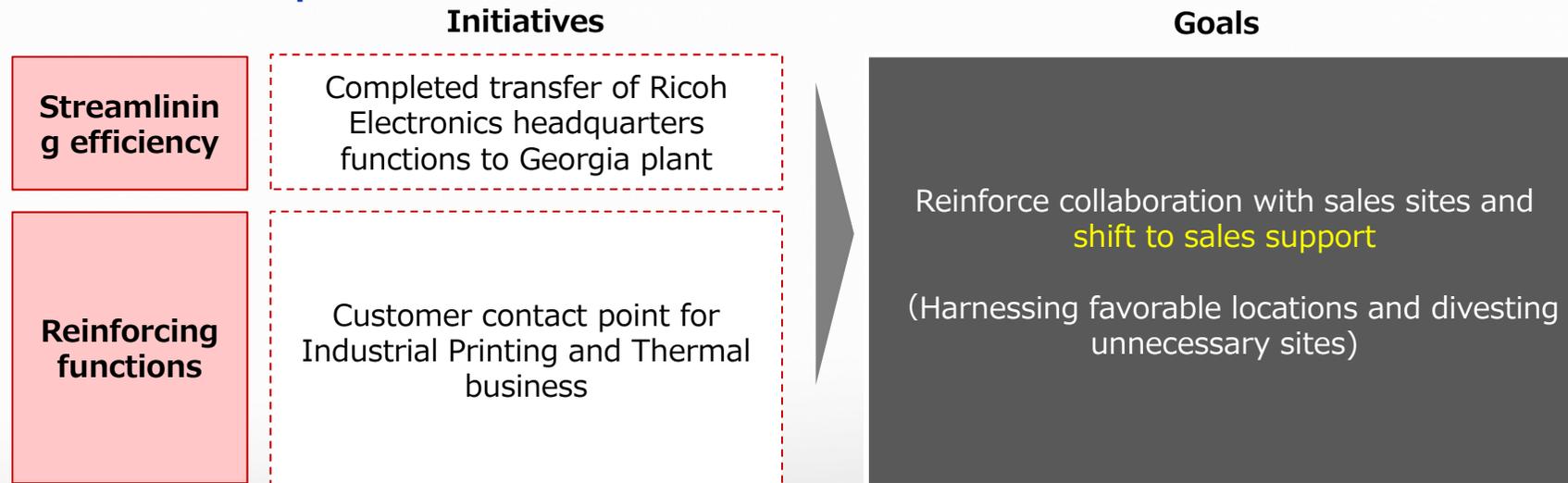


	1Q	2Q	3Q	4Q
Cost structure reforms				
Consolidate production network and redefine site roles	●	●		●
Cut development costs by paring down models created in-house	→			
Optimize dealer and direct sales structure for small and medium-sized businesses in North America	●	●		
Trim headquarters and back office 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			



Main Q2 Cost Structure Reforms and Reductions

Consolidating production network and reviewing roles of units in consumption areas



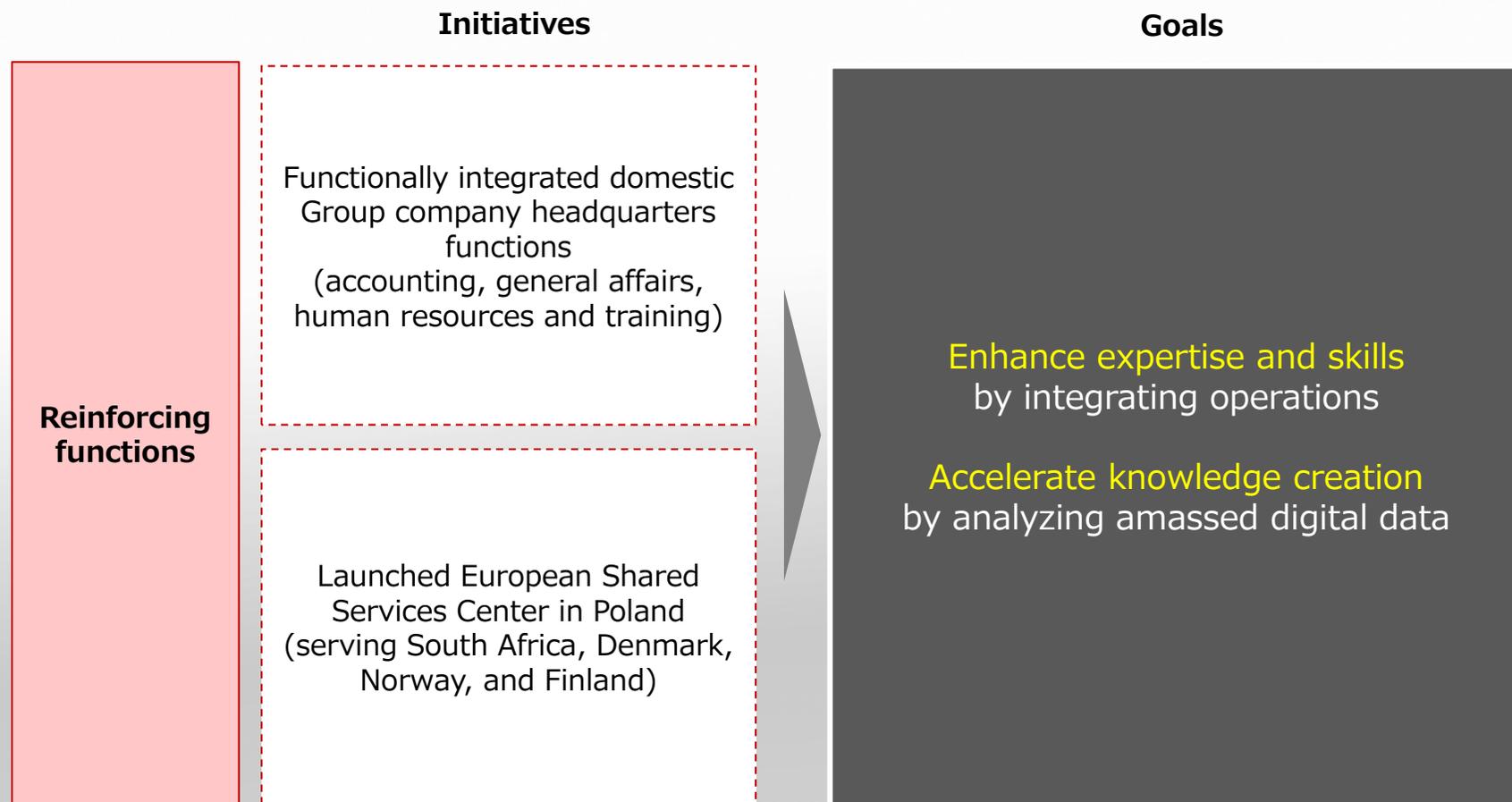
Optimizing direct sales structure in North America





Business Process Reforms that Boost Productivity (Key Initiatives in Q2)

Enhance productivity by expanding shared services



Projected Structural Reform Savings

Slide from April 12
company briefing
materials

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imagine. change.

	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

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