Ricoh Group Consolidated Financial Results for the Year Ended March 31, 2019

Operating results

Consolidated sales in the year ended March 31, 2019, decreased 2.4%, to ¥2,013.2 billion. Sales were down 2.1% after excluding the impact of foreign exchange fluctuations.

The Japanese economy continued to pick up moderately during the term. It was against this backdrop that the Company posted solid performances, particularly in Office Services, on higher demand for IT equipment in line with efforts to drive corporate work practice reforms, as well as higher sales of business solutions services. Sales in Japan overall were therefore up 0.7%.

Overseas, the U.S. economy continued to expand moderately. European economic growth was generally solid despite uncertainties about prospects owing to Brexit and a crisis in Turkey. It was under these circumstances that overseas sales decreased. This reflected a downturn in the Office Printing field, and was despite Office Services and Commercial Printing gains in the Americas, Europe, the Middle East, and Africa. Sales in the Americas dipped 1.8% (also 1.8% after stripping out the foreign exchange impact). Sales in Europe, the Middle East, and Africa decreased 3.9% (or 3.0% without foreign exchange fluctuations). In other regions, sales declined 13.1% (11.9% after excluding foreign exchange fluctuations) owing to a downturn in the Office Printing field and the removal of Ricoh India Limited from consolidated results in the Office Services. Overseas sales were thus down 4.4%.

Gross profit was down 3.0%, to ¥766.8 billion. Selling, general and administrative expenses fell 9.6%, to ¥702.9 billion. This stemmed from progress in constraining expenditure through structural and business process reforms. Ricoh posted ¥19.3 billion in structural reform expenses in the year under review. Structural reforms proceeded swiftly, generating savings of ¥46.9 billion. Ricoh progressed faster than anticipated in generating a total of ¥100 billion in savings from structural reforms over three years from the year ended March 31, 2018. The Company posted ¥14.9 billion in Ricoh India expenses that include a provision for doubtful accounts relating to Group holdings of Ricoh India receivables at the end of the year under review.

Other income was up greatly from a year earlier, owing largely to gains on the transfer of shares in Ricoh Logistics System Co., Ltd. Goodwill impairment losses were far lower than ¥145.8 billion posted a year earlier. As a result of these factors, operating profit was ¥86.8 billion, compared with an operating loss of ¥115.6 billion a year earlier. Operating profit after factoring out structural reform charges and transient earnings was ¥105.1 billion, testament to steady improvements in underlying profitability from a year earlier.

On the finance income and costs front, interest paid and the net foreign currency exchange loss were lower. Profit before income tax expenses was ¥83.9 billion, from a loss before income tax expenses of ¥124.1 billion a year earlier.

As a result of these factors, profit attributable to owners of the parent was ¥49.5 billion, compared with a ¥135.3 billion loss attributable to owners of the parent a year earlier.

Analysis of financial position

Assets, liabilities, and net assets

Other investments declined in line with a planned divestment of shares in Coca-Cola Bottlers Japan Holdings Inc., while cash and cash equivalents increased owing to the transfer of shares in Ricoh Logistics System. Inventories were higher, reflecting initial stockpiling for MFPs launched in the fourth quarter and additions to available supplies of consumables to cover the impact of Sino-American trade friction and the prospective exit of the United Kingdom from the European Union. Leased assets were up on the ongoing expansion of the finance business, particularly in Japan, while other financial assets increased. Total assets thus rose ¥84.1 billion from the end of the previous year, to ¥2,725.1 billion.

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Investor relations www.ricoh.com/IR/
Annual securities report for the year ended March 31, 2019
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Flash report for the year ended March 31, 2019 www.ricoh.com/-/Media/Ricoh/Sites/com/IR/financial_data/financial_result/data/31/q4_report.pdf

Bonds and borrowings were up from a year earlier, as we repaid long-term debt that had matured and undertook extensive reborrowing. Another factor was that debt from affiliated companies increased with finance business expansion. Total liabilities were up ¥53.8 billion, to ¥1,706.1 billion. Retained earnings were up from the end of the previous year as a result of higher earnings and changes in accounting policy.

Total Ricoh shareholders' equity therefore advanced ¥23.0 billion, to ¥932.5 billion. The equity ratio was again stable, at 34.2%.

In the year under review, we endeavored to raise ROE to more than 5.0%. Profit attributable to owners of the parent company increased well beyond our initial forecast, as we strengthened profitability in core businesses and generated growth in new businesses while bearing fruit from structural reform efforts earlier than planned. Our ROE for the year thus exceeded our target, at 5.4%.

Cash flows

At the end of the year under review, net cash provided by operating activities was ¥81.9 billion, down ¥28.3 billion. A key factor was a major earnings turnaround that stemmed from a profitability gain in the core Office Printing field and higher income in the Office Services and other growth areas. Another element was an increase in inventories from a year earlier.

Net cash used in investing activities was ¥45.9 billion, down ¥35.1 billion. This reduction reflected income from transfers of shares in subsidiaries as a result of structural reform activities, which offset the impacts of capital investments to expand and upgrade production facilities, ongoing investments in information technology, and acquisitions to drive growth.

Free cash flow (net cash provided by operating activities plus net cash used in investing activities) totaled ¥36.0 billion, up 6.8 billion, reflecting greater business profitability from structural reform initiatives and operational reviews. Free cash flow excluding the finance business was ¥85.4 billion. Consequently, we produced ¥151.3 billion in free cash flow excluding the finance business in the first two years of our current mid-term management plan, so we are well positioned to exceed or match ¥100 billion targeted by the end of the year ending March 31, 2020.

Net cash provided by financing activities was ¥42.4 billion, up ¥36.0 billion. On the liabilities front, we repaid long-term debt that had matured and undertook extensive reborrowing. On top of that, debt from affiliated companies increased with finance business expansion. We paid cash dividends as initially planned in light of results, cash flows, and growth investments.

As a result of the above factors, cash and cash equivalents at the end of the period were ¥240.0 billion, up ¥79.5 billion from a year earlier.