

RICOH
Resurgent

Structural Reform
Progress Report

July 28, 2017

Yoshinori Yamashita
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

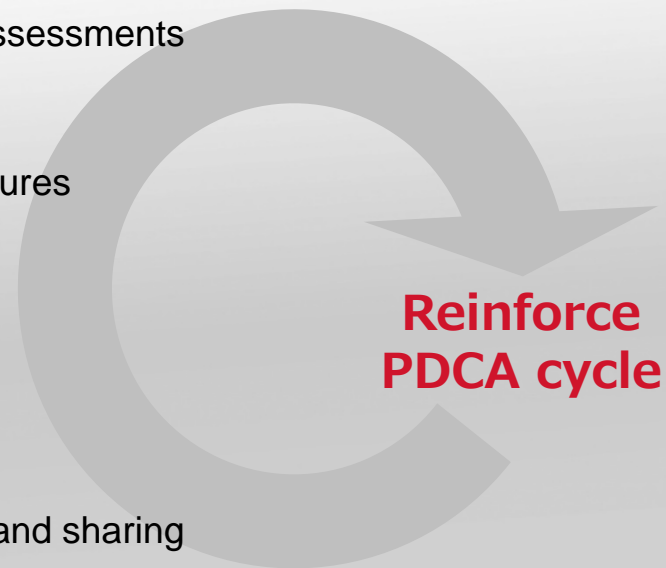
Confirming progress and sharing issues and measures while deciding on structural reinforcement efforts
(When making decisions)

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



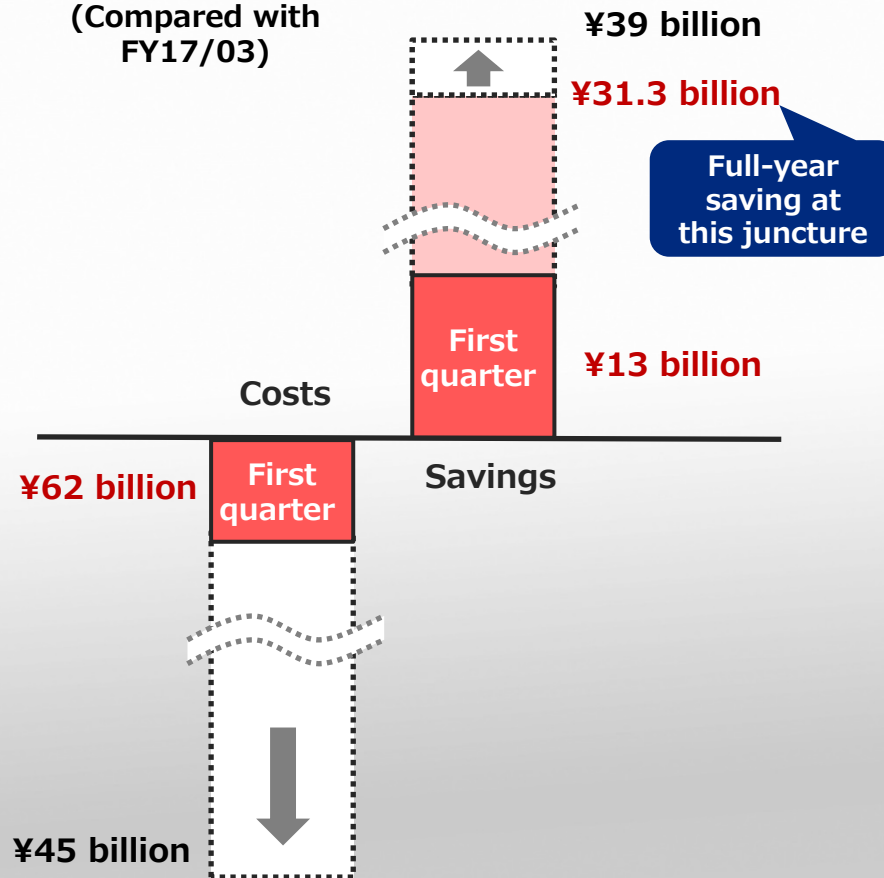
■ Structural reforms

	FY18/03 forecasts	FY19/03 forecasts	FY20/03 forecasts
Cost reductions from FY17/03	¥39 billion	¥76 billion	¥100 billion
Expenses	¥45 billion	()	()

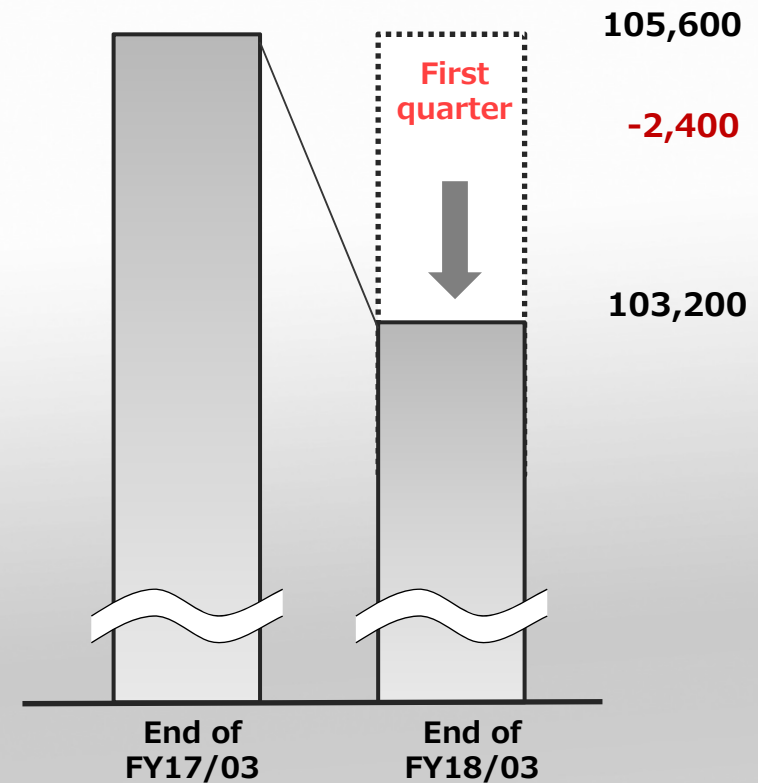
■ New business structure disclosure from first quarter of FY18/03

Cost, Savings, and Personnel Reductions in First Quarter of FY18/03

Costs and savings
(Compared with FY17/03)



Number of regular employees



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

- ❑ Consolidate production network and redefine site roles (see slide 13)
- ❑ Cut development costs by paring down models created in-house

Revamp direct sales and service

- ❑ Optimize dealer and direct sales structure for small and medium-sized businesses in North America (see slide 14)
- ❑ Trim headquarters and back office operations

2. Business process reforms that boost productivity

- ❑ Enhance productivity by expanding global shared services
- ❑ Improve maintenance processes through more models employing new capabilities (see slide 15)
- ❑ Broaden cost reductions through more automated manufacturing

3. Extensive business selectivity

Leave no stones unturned in screening businesses

- ❑ Improve profitability by overhauling office services
- ❑ Post impairment losses in traditional camera business
- ❑ Clarify criteria for shutting down, maintaining, and investing in businesses and services

Quarterly Plan for Structural Reform Measures



Ongoing ● Implementation timing

	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	<p style="text-align: center;">We plan to disclose this information at the right time</p>			

North American Sales and Service Structure Reforms

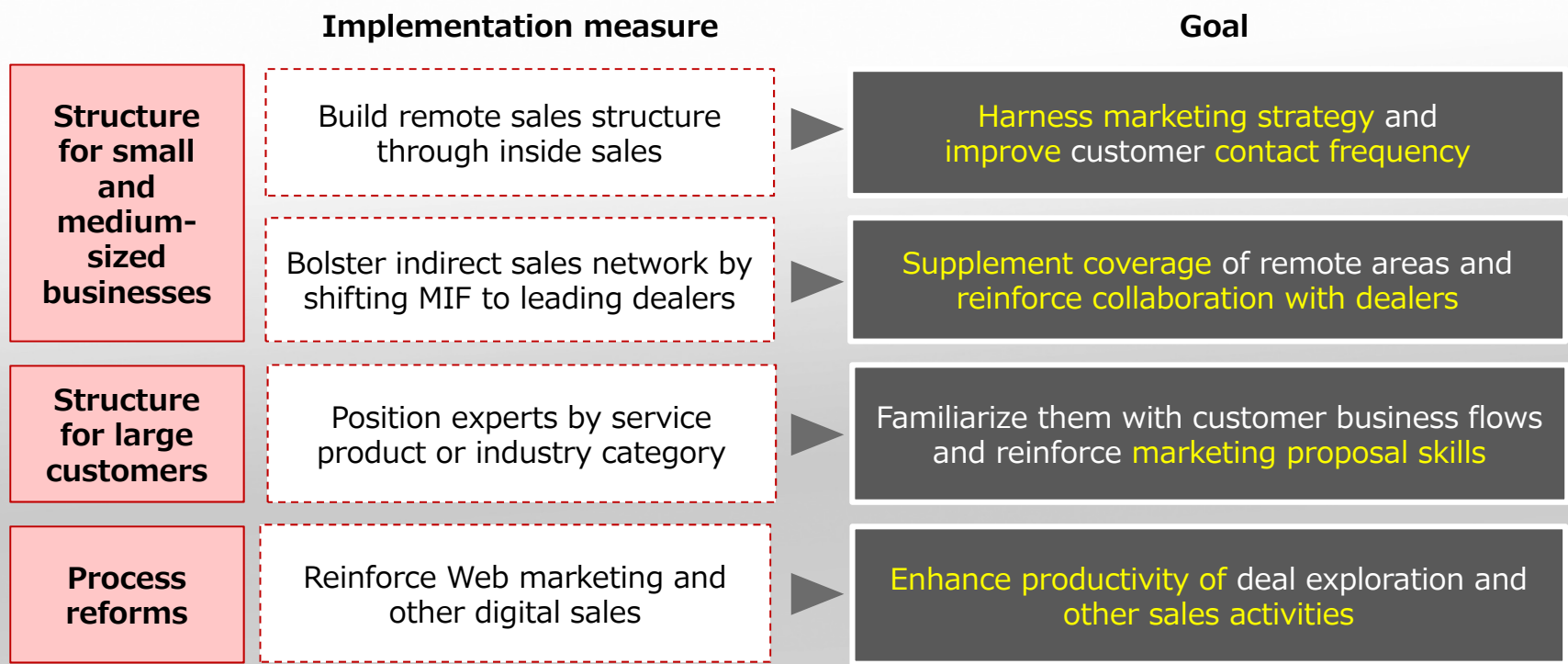


Business climate change and issues assessment

Customers' proactive purchasing practices (including through the Web) and difficulty of differentiating hardware, and sophistication of proposal contents



Optimize sales and service structure and reform processes

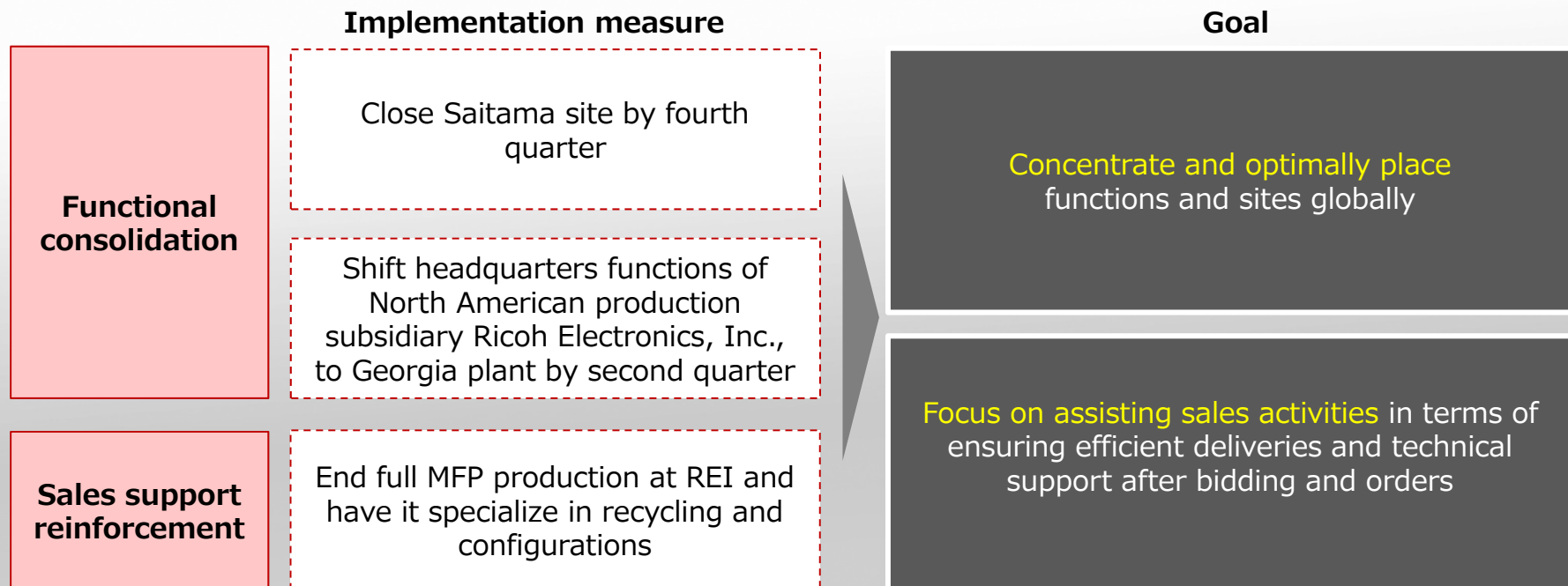


Production Site Reorganizations

**Business climate
change and
issues
assessment**

Demand has increased in consumption areas for a very flexible supply structure and for technical support for sales sites

Optimize production capabilities



Other Regional and Functional Implementation Progress

Currently undertaking the following initiatives that should begin bearing fruit from the second quarter



- Opening shared service center in Poland
- Improving operations of sales companies whose profitability is poor



- Downsizing headquarters organization
- Reorganizing and integrating business sites, including by relocating headquarters during the third quarter
- Reviewing intellectual property portfolio in line with business strategies



Additional Measures to Drive Further Structural Reforms



Create an even more robust earnings structure by undertaking the measures below that we did not initially plan

1. Optimize roles and tasks of Ricoh headquarters and regional sales headquarters
2. Reinforce global supply chain management
3. Leverage robotic process automation, artificial intelligence, and other tools to reform headquarters and back-office business processes
4. Optimize site setups to handle downsized operations

We will announce measures we are exploring at the appropriate time



Projected Structural Reform Savings

Slide from April 12
company briefing
materials

RICOH
imagine. change.

	FY18/03	FY19/03	FY20/03
1. Cost structure reforms	¥28 billion	¥37 billion	¥45 billion
2. Business process reforms	¥11 billion	¥39 billion	¥55 billion
Total reductions from FY17/03	¥39 billion	¥76 billion	¥100 billion

Deploy reforms earlier forward to enhance impact

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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