

**RICOH**  
**Resurgent**  
**First year review**

**April 27, 2018**

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**President and CEO**  
**Ricoh Company, Ltd.**

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- Today, I will summarize the first year of our RICOH Resurgent activities.
- First, I will talk about the divergence from the forecasts we announced on October 27 for extraordinary losses relating to Ricoh India, which had such a great impact on our results for the year review.
- While conditions certainly changed after making our initial projections, we recognize the need to improve our accounting management and the accuracy of our numerical analysis. I am keenly aware of my responsibilities as president in those respects.

## Break from past management approaches

Conduct reviews casting aside the traditions and precedents that hamper growth

### 1. Reform cost structure

Drive structural reforms from top down

### 2. Prioritize growth businesses centered on our strengths

Focus on growth businesses that leverage strengths and deploy winning strategies

### 3. Implementation that delivers results and has clear accountability

Present results and rebuild trust with all stakeholders

- I will begin the presentation by talking about RICOH Resurgent.
- We showed this slide in an investor relations meeting on April 12, 2017.
- It was then that I explained RICOH Resurgent as part of the 19<sup>th</sup> Mid-Term Management Plan. I will provide a brief report on progress in its first year.



# Tackling Key Management Issues

We have drawn on the support and supervision of the Board of Directors to push forward with management reforms to ensure accurate decision-making and swift action.

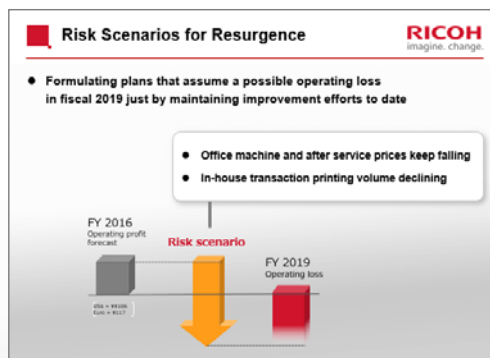
Themes Goal  
Completed

Reinforce investor and shareholder relations	Make management aware of capital efficiencies and capital costs by engaging with shareholders and other investors <i>(PDCA's based on progress reports for important themes with investor relations, engaging with domestic and foreign shareholders, and conducting small meeting for analysts)</i>
Push ahead with structural reforms	Review earnings structure in line with strategic transformation and boost profitability <i>(to be explained later)</i>
Formulate growth strategies	Restructure business portfolio through growth strategies based on Ricoh's strengths <i>(to be explained later)</i>
Headquarters reforms	Reinforce headquarters functions to support management <i>(Overhaul new business creation process, bolster accounting and finance, and review business management units based on strategic transformations)</i>
Comprehensively reinforce governance	Comprehensively reinforce Group governance through Board of Directors, Audit and Supervisory Board, and internal audits <i>(Assess and improve Group governance, set up global audit team, and create senior level internal auditor certification system)</i>
Reform executive officer system	Clarify responsibilities of executives and redesign incentives <i>(Have one-year directorship terms and terminate senior advisory post held by former presidents and chairmen)</i>

- When explaining RICOH Resurgent in the meeting on April 12, 2017, I cited six key management issues. We sought to pursue proper decision making and swift execution in pushing ahead with management reforms with the oversight and support of the Board of Directors.
- The slide presents the main themes and proper results reports.
- I myself recognized last year that we were deficient in terms of reinforcing investor and shareholder relations. So, we set about improving communications with shareholders and other investors to get a better management awareness of capital efficiencies and capital costs. As part of our communication efforts, we sought to report on important investor relations themes and undertake PDCA cycles while engaging more with domestic and overseas shareholders to secure feedback for management.
- We reformed headquarters by reinforcing its functions to support management, notably through a reorganization and strategic transformations to review business management units. We recognize that we need to accelerate headquarter function reforms, centered on accounting and finance.
- Comprehensive reinforcing governance for the Ricoh Group encompasses the Board of Directors, the Audit and Supervisory Board, and internal audits. We launched a governance review committee and started global governance inspections and improvements.
- We reformed the director nomination criteria by shortening terms to one year and terminating the senior advisory post held by former presidents and chairman. These efforts were in line with a commitment to reinforcing Ricoh's foundations.

# Structural Reform Initiatives & Achievements Based on Risk Scenarios

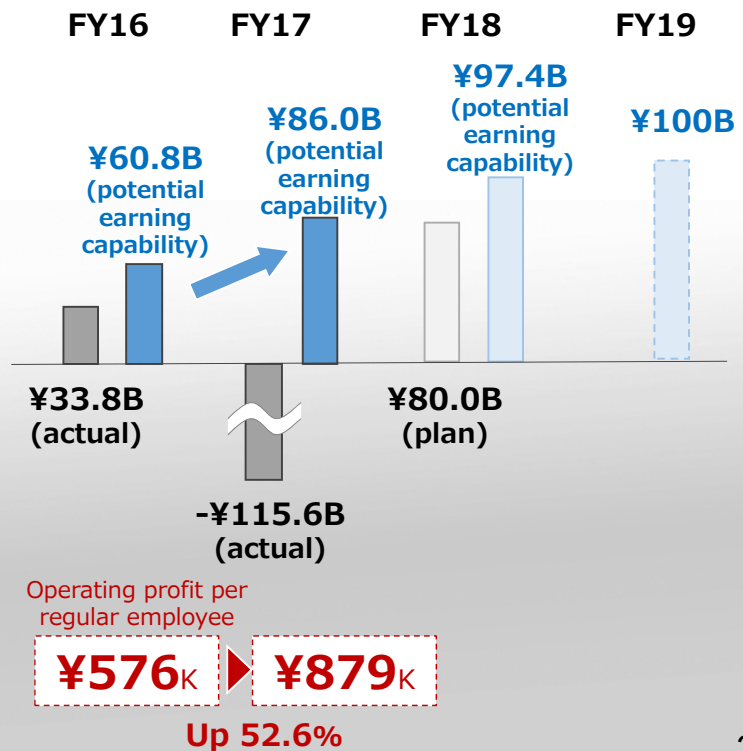
Regain profitability by implementing structural reform initiatives based on risk scenarios set when formulating the 19<sup>th</sup> Mid-Term Management Plan



April 12, 2017 IR meeting

Main structural reform measures

- 1. Reorganized business sites**  
Consolidated production sites and relocate headquarters
- 2. Reviewed business segments**  
Shifted to strategies matching business and regional characteristics
- 3. Pursued business selectivity**  
Ricoh Electronic Devices, San-Ai Kanko



- I will now overview our structural reform efforts and growth strategies
- The top left of this slide includes a slide from when we announced our mid-term management plan in April last year. It shows that by continuing with improvement until then we risked posting tens of billions of yen in losses in FY 2019. We rolled out structural reform measures based on this risk scenario, gradually recovering our profitability.
- Our main initiatives were to reorganize business sites, review our business segments, and pursue business selectivity.
- Excluding extraordinary factors, our potential operating profit rose from ¥60.8 billion in FY 2016 to ¥86.0 billion in FY 2017. This illustrated steady growth in profitability in overcoming challenging business conditions.
- Our benchmark for productivity is operating profit per regular employee, which surged more than 50% year-on-year in FY 2017.
- We are confident that we can boost operating profit to ¥100 billion in FY 2019.



In light of changes in the business climate, we continue efforts to bolster profitability

## 1. Lower cost of sales ratio

- ✓ Tremendous potential for further earnings improvements

## 2. Rebuild US sales structure

- ✓ Sales price management, review unprofitable businesses, and undertake back office reforms

## 3. “Our Digital Revolution”

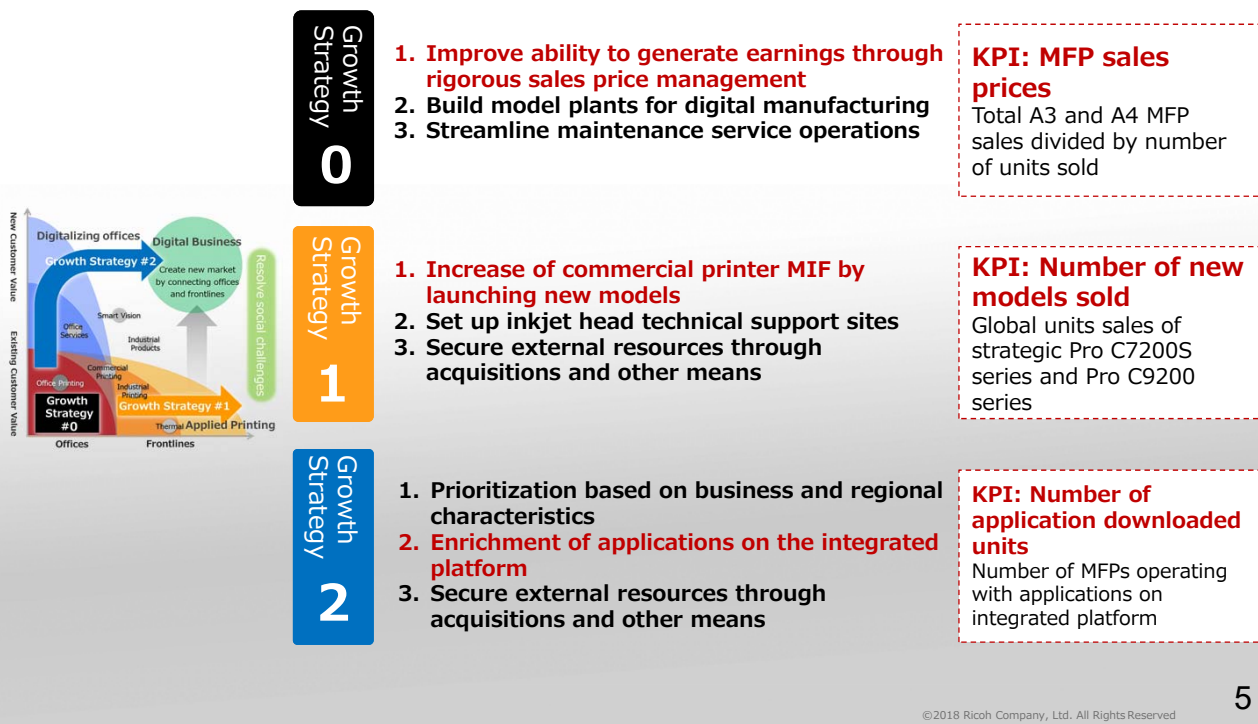
- ✓ Harnessing robotic process automation to undertake business process reforms that involve all employees and commercialize our practice

- That said, in view of changes in the business climate we cannot afford to be complacent. We have taken three key steps to improve our profitability.
- The first is to lower our cost of sales ratio. That ratio is around 60%, which is far higher than that of our rivals, and there is room for improvement. We have devoted great attention to parts and costs, but there is still potential for improvements in purchasing, human resources, and other cost areas.
- We have been rebuilding our U.S. sales structure, stepping up price management, reviewing unprofitable businesses, and undertaking back office reforms.
- In terms of our internal digital revolution, we have deployed Office 365 for all employees. We are combining in-house devices to eliminate internal communication constraints and are progressing in reforming work practices. We are also harnessing robotic process automation to undertake business process reforms that involve all employees. We are setting up the Robotic Process Automation Open College and are leveraging Notes software in undertaking grassroots reforms at business sites.



# Growth Strategy Key Initiatives and KPIs

Determining and implementing key initiatives measures and KPIs



- I will now discuss priority growth strategy initiatives and key performance indicators.
- I established three initiatives each for our three growth strategies to ensure swift and solid progress in 2018.
- Our ability to reinforce profitability is an urgent issue under Growth Strategy #0. We want to keep operating profit at least comparable to fiscal 2017 or generate double-digit growth. Our key performance indicator is MFP sales prices.
  - 1. Improve ability to generate earnings through rigorous price management: We will strategically target and sell to customers offering revenue potential. In Japan and the Asia Pacific, we have braked falls in MFP prices, and prices have been on the rise in the past few years.
  - 2. Build model plants for digital manufacturing: While Ricoh’s production sites have amassed improvements, they have yet to fully embrace leading-edge digital technology, so we plan to deploy innovative production techniques.
  - 3. Streamline maintenance service operations: We will remotely monitor new color MFPs that we launch this fiscal year, projecting the deterioration in speed according to usage and replacing parts at optimal times. This approach will prevent breakdowns, reducing the need to dispatch service personnel while cutting downtimes for customers.
- Under Growth Strategy #1, our Commercial Printing business has entered the development investment recovery phase, and we will focus on expanding this highly profitable area. Our key performance indicator will be the number of new strategic models sold.
  - 1. Increase commercial printer MIF by launching new models: In spring, we rolled out two new models in spring this year that should begin delivering benefits.
  - 2. Set up inkjet head technical support sites: We plan to establish such sites in China, the world’s largest market for inkjet heads. We will also set up a marketing center in Europe, an advanced market for industrial printing. That center will provide local marketing and support and reinforce customer ties.
  - 3. Secure external resources through acquisitions and other means: We will identify the resources we need to execute our strategies and secure external resources without insisting on being self-sufficient in that regard.
- For Growth Strategy #2, our key performance indicator is the number of MFPs operating with

New customer value generated through “Open” partnership

## MFP based cloud solutions

Global product co-development agreement with  
1) **KOFAX** with edge processing technologies  
2) **Docuware** with indexing technologies



## Machine disorder sensing

Target to equip **FANUC Corporation's** machinery as a monitoring system to check the robo-drilling status. This development is supported by FANUC Corporations. Ricoh provides the system for better productivity and usability.

**FANUC**

**RICOH**

## Bed-sensor System

Plan to launch new product co-developed with **MinebeaMitsumi Inc.** within this fiscal year. Can be bundled with nurse call system, to reduce workload in nursing care frontlines.

**MinebeaMitsumi**  
Passion to Create Value through Difference



## Medical Imaging (MEG)

High-accuracy sensing technology developed with **Kanazawa Institute of Technology.** Entered North America market (Dec, 2017) Pursuing open innovation with the following partners.

**Tohoku Univ.**  
Epilepsies clinical  
**Kanazawa Univ.**  
Development disability clinical  
**Tokyo Medical & Dental Univ.**  
Spinal disease clinical  
**Hokuto Hospital**  
Brain checkup for dementia

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- We are encouraging employees to pursue open practices.
- Here, we highlight four cases in which we have progressed in that regard.
- The top left example shows our joint product development agreement with Kofax and DocuWare for MFP-based cloud solutions.
- In the top right, while we will not commercialize fault detection sensing systems for machine tools FANUC will incorporate them in its equipment.
- In the bottom left, we have already announced and have progressed with developing a bed sensing system for nursing care, and plan to formally commercialize it.
- On the bottom left, we have started using brain activity measuring equipment prototypes with Tohoku University, Kanazawa University, Tokyo Medical and Dental University, Hokuto Hospital, and other institutions.
- We will leverage and swiftly apply external skills in areas in which we have been unable to make headway or have had to spend large amounts of time through in-house efforts.

# Consolidated Financial Targets

ROE forecasted to exceed 5.0% in FY2018

	FY2017	FY2018	FY2019	FY2022
<b>Sales</b>	<b>2,063.3</b>	<b>2,040.0</b>	<b>2,200.0</b>	<b>2,300.0</b>
<b>Operating Profit</b>	<b>-115.6</b>	<b>80.0</b>	<b>100.0</b>	<b>185.0</b>
<b>Operating Margin</b>	<b>-5.6%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>8.0%</b>
<b>ROE</b>	<b>-13.9%</b>	More than <b>5.0%</b>	<b>6.9%</b>	More than <b>9.0%</b>
<b>FCEF</b> Free cash flow excluding finance business	<b>65.9</b>	—	<b>100.0</b> Total for FY2017 to and 2019	<b>250.0</b> Total for FY2020 to and 2022

Billions of Yen

- Our consolidated financial targets are as shown.



Update the progress of Growth Strategy execution in quarterly Investors' Meetings.



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)

Project

Confirming progress and making decisions in projects  
(As needed)

Business division

Confirming progress through business unit heads and sharing and addressing issues  
(As needed)

Reinforce PDCA cycle

- This fiscal year, we will continue to report in results briefings and undertake PDCA cycles for structural reforms and growth strategy themes.
- We will report on structural reform progress in quarterly results briefings. I will report on progress in executing growth strategies. While such strategies do not produce near-term results, I look to report on how we are doing with key benchmarks and on our plans and achievements.
  - July 2018: Progress with Growth Strategy #0 (operational excellence)
  - October 2018: Progress with key initiatives for growth strategies
  - January 2019: Progress with key initiatives for growth strategies
  - April 2019: Growth strategy summary
- As with last fiscal year, units tasked with implementing measures we will push forward with a PDCA cycle framework based on Board of Directors monitoring.
- I will take various opportunities to share our management policies and progress.
- Thank you for your time today.

**RICOH**  
imagine. change.