Towards Next MTP

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President and CEO
Ricoh Company, Ltd

- Today, I will review our 19th Mid-Term Management Plan while sharing our objectives under the successor plan.
- We plan to announce our next Mid-Term Management Plan in February or March next year, which would be after we announce our third-quarter results.

Forward-Looking Statement

The plans, prospects, strategies and other statements, except for the historical events, mentioned in this material are forward-looking statements with respect to future events and business results. Those statements were made based on the judgment of Ricoh's Directors from the information that is now obtainable. Actual results may differ materially from those projected or implied in such forward-looking statements and from any historical trends. Please refrain from judging only from these forward-looking statements with respect to future events and business results. The following important factors, without limiting the generality of the foregoing, could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

a. General economic conditions and business trend
b. Exchange rates and their fluctuations
c. Rapid technological innovation
d. Uncertainty as to Ricoh's ability to continue to design, develop, produce and market products and services that achieve market acceptance in a competitive market

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Sustainable Growth Stages

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FY2017–	FY2018–2019	FY2020–2022
Resurgent	**Ignite**	**Lift Off**

Resurgent

- **Completed structural reforms**
- **Prioritized growth strategies**
- **Reformed governance**
- **Reinforced management structure**

Ignite

- **Fully deploy growth strategies**
- **Management reforms to underpin growth strategy plan**
  - **Improve capital returns**
  - **Reform corporate governance**

- In formulating our current mid-term plan in 2017, we planed a six-year initiative to revitalize Ricoh and propel its growth.
- In fiscal 2017, we embarked on Ricoh Resurgent, a one-year endeavor. In fiscal 2018, we rolled out Ricoh Ignite to steer an expansionary course.
- We have done much over the past two years to overhaul our business underpinnings while deploying our growth strategies. We have made improving our return on capital a pivotal focus of our next mid-term management plan.

Reviewing 19th MTP*: Regaining Profitability

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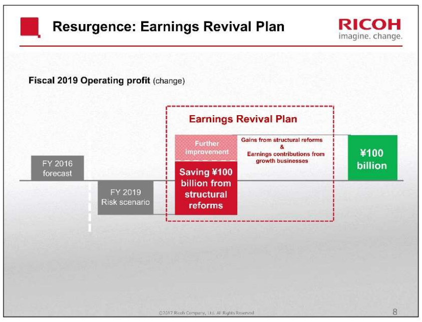
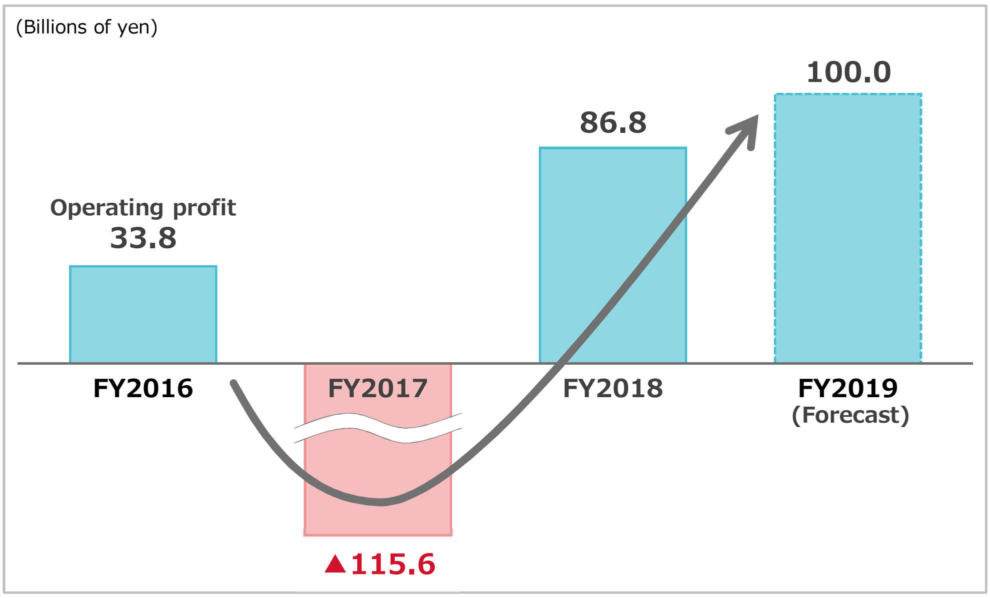
*MTP = Mid-Term Management Plan

We have made structural reforms to avert losses in fiscal 2019 that may have otherwise arisen



From investors' meeting presentation on April 12, 2017



- Given that five months remain of our 19th Mid-Term Management Plan, I would like to summarize the pledge we made to stakeholders when we announced that initiative and share my thoughts for the future.
- I will first review the situation when I took the helm in April 2017 and we announced Ricoh Resurgent. Our profitability had deteriorated by that stage. I showed that we risked tumbling into the operating losses if we stayed on the same trajectory.
- It was based on that risk scenario that we reviewed our five major principles predicated on market growth. We switched away from expanding scale toward a focus on profitability in executing structural reforms.
- We posted a large loss in fiscal 2017 owing to impairment charges stemming from business management unit reviews. But we generated earnings in fiscal 2018 and 2019. We are on track to reach the 19th Mid-Term Management Plan's operating profit target of 100 billion yen in fiscal 2019.
- We have steadily improved our profitability, which is our operating profit net of transient factors.

Reviewing 19th MTP: Our Pledge to the Capital Markets

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We are on track to reach our targets

	Targets announced on April 12, 2017	Projection
Operating profit (FY2019)	More than ¥100 billion	More than ¥100 billion (in Q2 FY2019)
Structural reform savings (Compared with FY2016)	More than ¥100 billion	¥105 billion (in Q2 FY2019)
FCEF over three years (Free cash flow excluding finance business)	More than ¥100 billion	¥154.3 billion (total through Q2 FY2019)

- Here, you see the targets that we pledged to the capital markets when announcing Ricoh Resurgent.
- We thought at the time that the drive to putting the past behind us would make it very challenging to reach our targets within three years.
- Still, we made our pledge to the capital markets because we realized that it was essential to attain these stretch targets to revitalize Ricoh.
- We expect to reach our operating profit, structural reform savings, and free cash flow targets in fiscal 2019.

Reviewing 19th MTP: Growth Investments

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We implemented R&D, capital expenditure, mergers and acquisitions, and other growth driver strategies

R&D	■ Launched products that deliver new value while boosting investment ratios in new areas
Capital expenditures	■ Invested in digital manufacturing (e.g. a new plant in Huanan, China), while expanding industrial printing, thermal media, and other production facilities
M&A and capital alliances	Growth strategy #1: ■ Obtain resources to expand industrial printing business Growth strategy #2: ■ Secure sales and services structures to expand information technology services ■ Acquire resources to grow digital businesses

- I will now overview our investments for growth.
- We have maintained R&D expenditures at around 5% of sales while increasing the proportion of investments in new fields. We were thereby able to announce new MFPs in January this year and roll out new offerings for the commercial printing area, new inkjet heads for industrial printing, application-specific industrial printers, and other new competitive products.
- On the capital expenditures front, we invested in digital manufacturing and automated manufacturing such as new China plant, and other locations, and proceeded to expand our industrial printing, thermal, and other production facilities.
- We have allocated around 40 billion yen to M&A, capital alliances, and other strategic investments, keeping careful tabs on market conditions and investment returns in the process.
- A gap compared with the 200 billion we estimated under the 19th Mid-Term Management Plan reflects our efforts to evaluate investment returns. We have thus refrained from undertaking expensive initiatives even if they have been strategic fits.
- That said, our efforts to develop our targeted growth strategies need more work, and we will explore ways to accelerate action under the next mid-term management plan.

Reviewing 19th MTP: Cash Flow Allocation

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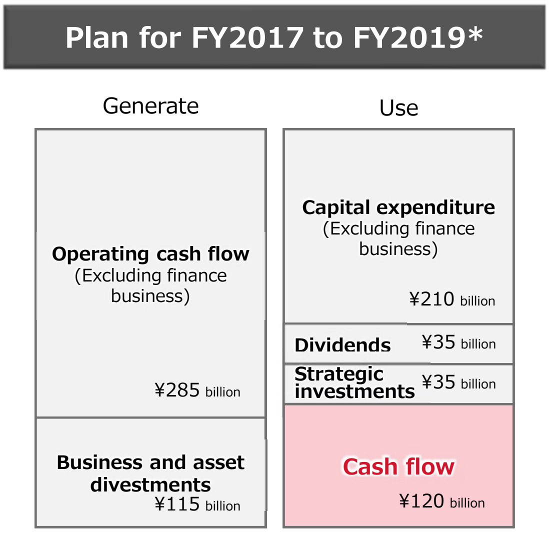
We reviewed our capital policies in light of our MTP progress

Dramatically improved cash flow under current MTP

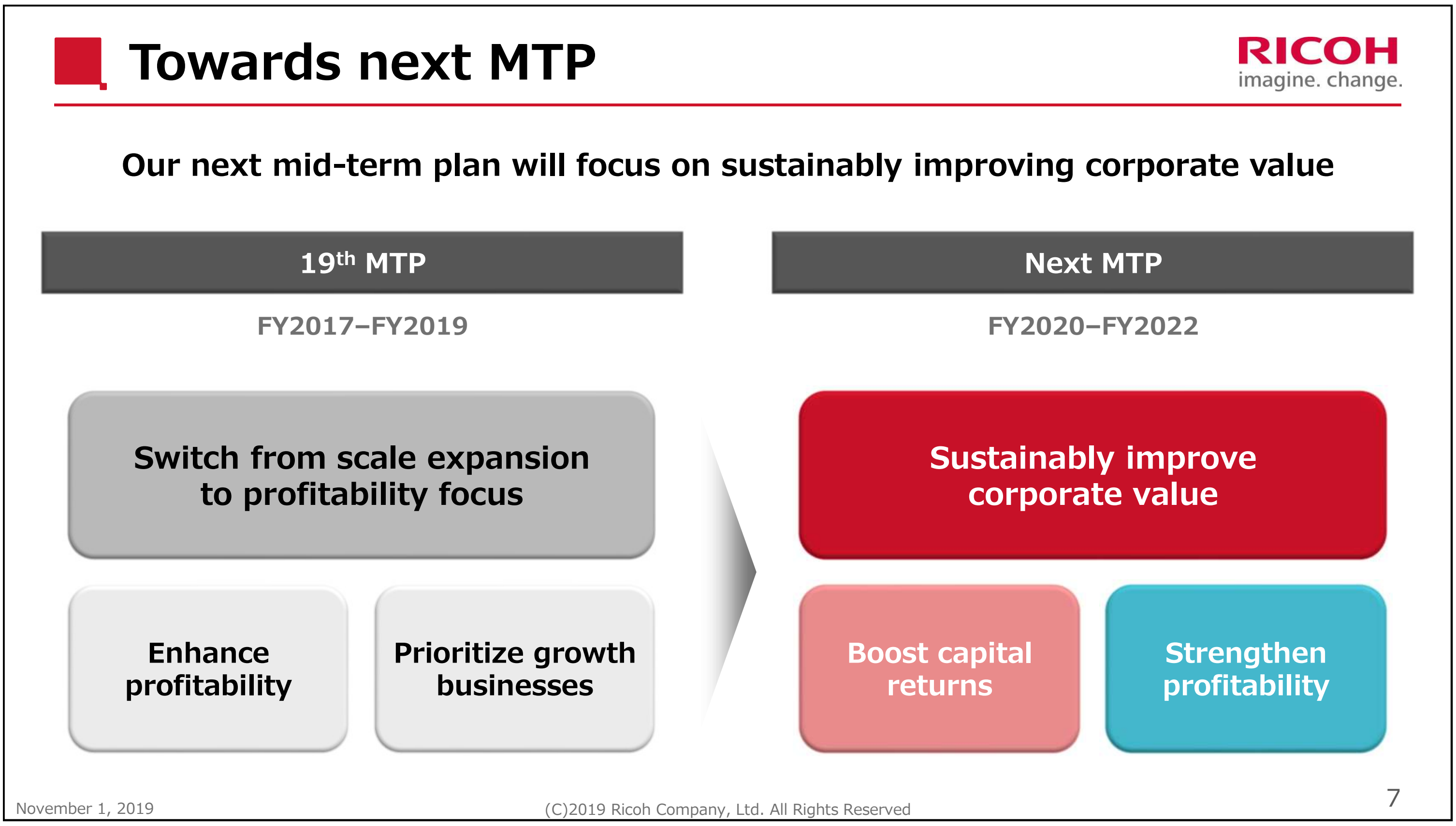
Reviewed surplus cash use commensurate with MTP progress

Evaluated shareholder returns in light of some results (exploring measures, including share buyback)



* Through Q2 FY2019

- One objective of our 19th Mid-Term Management Plan was to generate cash by strengthening our profitability and reviewing our assets. As I mentioned earlier, we have greatly improved our free cash flow excluding the finance business.
- Given our strategic investment situation, we will review our surplus cash usage and optimize our capital structure and share the resulting returns with shareholders.



- I will now share my thoughts on our direction under the 20th Mid-Term Management Plan.
- As I have explained thus far, under our 19th Mid-Term Management Plan we shifted away from expanding scale to prioritizing profits. In the process, we greatly enhanced our ability to produce cash by improving profitability, focusing on our core businesses, being selective about our businesses and assets, and overhauling our supply chain management. We also sowed seeds for the future while prioritizing growth businesses.
- The 20th Mid-Term Management Plan must focus more on satisfying shareholder expectations. We will accordingly continue to strengthen profitability while sustainably improving corporate value and shareholder value over the medium through long terms.

Improving Capital Returns: Integrate activities

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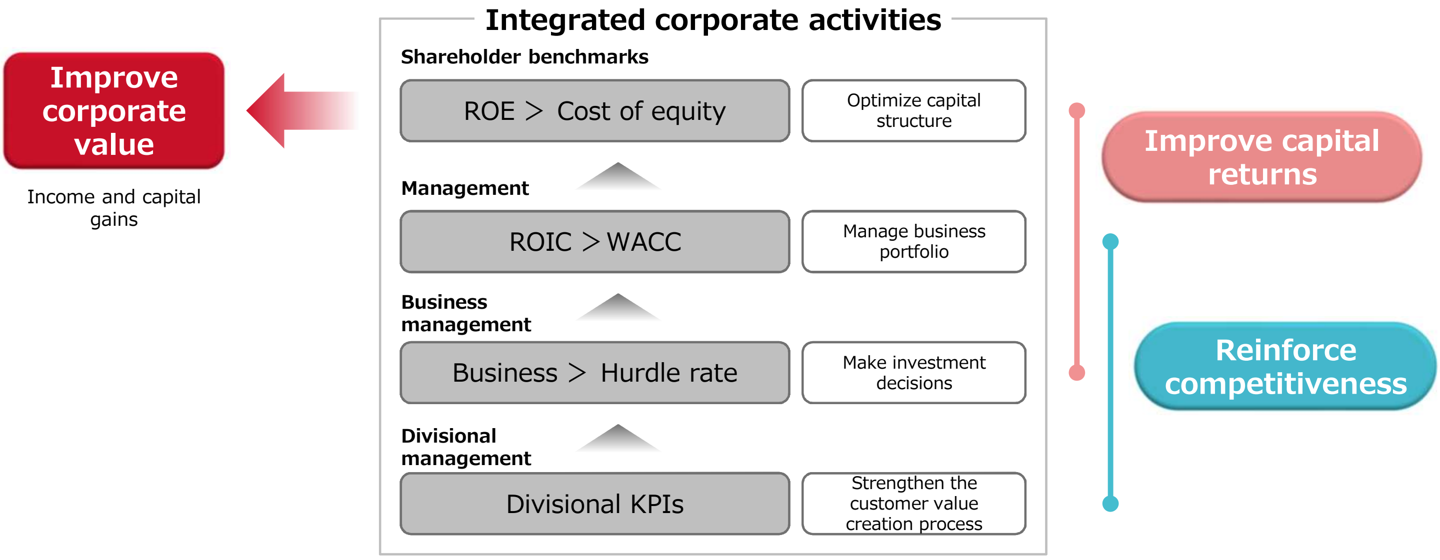
We have positioned ROE and other capital return benchmarks as key performance indicators and will integrate and progress these alongside our corporate activities



- Hands-on management is vital to improve corporate value. We have to make such thinking integral to our operations, instilling it in our frontlines. On that note, we must embed profitability benchmarks in each aspect of our businesses and functions. We will cultivate integrated corporate activities to that end.
- To improve corporate and shareholder value, we have to allocate capital properly so we generate a return on equity that exceeds the cost of capital.
- For companywide ROE, we need to break down and expand ROE and ROIC at each level of management and business and divisional management.
- Such efforts will improve our capital returns and reinforce competitiveness, as shown in the right of this slide.
- We have always acknowledged the importance of becoming more competitive, but I don’t think we have done enough to improve capital returns.
- Under our next mid-term management plan, we are determined to become more systematic and improve our corporate structure, with myself and other managers consistently making decisions and running operations in view of capital costs so we can deliver more added value than other companies.

Improving Capital Returns: Strengthen Capital Policies

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We have strengthened our capital policies to enhance business competitiveness and corporate value

19th MTP progress

Improve profitability

	FY2016	FY2019
Profitability	¥60.8 billion	**¥112** billion

(Forecasts)

Addressing shortfalls
(notably by posting impairment losses and reviewing businesses and assets)

Prudent financial strategies

Stable shareholder returns based on pay out ratio

Improve operating margin and ROE

	FY2016	FY2019
Margin	1.7%	**5.0**%
ROE	0.3%	**6.5**% or above

(Forecasts)

Toward next MTP

Improve capital profitability
(ROE and ROIC)

Allocate capital according to business potential

Pursue an optimized **capital structure,** underpinning corporate growth

Generate previously unimagined **shareholder returns**

Attain sustainable **equity spread**

- Unfortunately, the reputation of our industry overall in the capital market is lower than desirable. I feel that we are not seen as positively as our global competitiveness, strong business model, and technological prowess would merit.
- We are endeavoring to become more competitive and improve our capital profitability in our operations so our business value matches our corporate value in the eyes of the capital market.
- Under our next mid-term management plan, we will prioritize improving our capital profitability. We must ensure that our efforts in this regard do not compromise our management of sustainable corporate activities.
- Another point that I would like to make is that we largely completed our business and asset reviews under the 19th Mid-Term Management Plan. Under the successor plan, we will increase our overall capital profitability by allocating capital in keeping with operational characteristics based on revised business and assets.
- I also note that we have endeavor to generate stable shareholder returns based on our payout ratio to date. We will go beyond conventional thinking to explore returns, specific examples being the total return ratio and total shareholder returns.
- Under our next mid-term management plan, we will make attaining a sustainable equity spread a key priority, which means continuously materializing returns that exceed equity costs.

Reinforce Competitiveness

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We are work to sustainably expand cash flows

19th MTP progress

Improve Office Printing profitability

	FY2016	FY2019 H1
Operating margin	9%	11%

- Control pricing and review unprofitable contracts
- Optimize sales and service structure
- Cut costs (Production site optimization. Model consolidation, common platforms)

Expand Office Service earnings

	FY2016	FY2019 H1
Operating margin	-2%	5%

Reform business structure in line with growth strategies

Sales proportion	FY2016	FY2019 H1
Growth Strategy 0	57%	51%
Growth Strategy 1	12%	13%
Growth Strategy 2	26%	31%

Pursue open innovation

	FY2016	FY2017	FY2018	FY2019 H1
No. of external announcements	1	5	14	11

Toward next MTP

- Position **office domain as a growth business** and drive ongoing profit expansion
- Deliver new value by **digitizing frontlines** and **linking frontlines and offices**
- Pursue more **strategic R&D** and **human resources development**
- **Manage speed** by reforming corporate culture and leveraging external resources

- Under the 19th Mid-Term Management Plan, we have pursued operational excellence in the Office Printing business so we can be profitable even in increasingly competitive climates. While our Office Services business was in the red when we embarked on this plan, it generated returns of 5% to 6% in fiscal 2019. We aim to run a lean Office Printing business while driving Office Services growth.
- One new field in the growth business arena is digital transformations at customer sites. We will support customers in that respect in their offices and frontlines.
- Next, I note that the skills required of people are changing are changing, and we are proceeding to deploy more artificial intelligence resources at our domestic headquarters to assist with such changes.
- At the same time, we recognize the importance of engaging with customers everywhere we operate. It is challenging for office printing hardware salespeople to market office services. So, since we need to improve our sales proposition, we want to focus on developing and investing in human resources.
- Finally, I would like to mention the challenges of speed. We have not collaborated with external resources as well as we would have liked. But times are changing fast. Our people in-house are increasingly outward looking, which has been one of my aims, and I hope that we blossom in that respect under our 20th Mid-Term Management Plan.
- That ends my presentation. I look forward to detailing our 20th Mid-Term Management Plan after we announce our third-quarter results. Thank you for your time today.

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