Towards Next MTP

RICOH
imagine. change.

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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

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Reviewing 19th MTP*: Regaining Profitability

*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

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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)

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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

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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)

Plan for FY2017 to FY2019*

* Through Q2 FY2019

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Towards 2020

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Our next mid-term plan will focus on sustainably improving corporate value

19th MTP	Next MTP
FY2017–FY2019	FY2020–FY2022

19th MTP

- Switch from scale expansion to profitability focus
- Enhance profitability
- Prioritize growth businesses

Next MTP

- Sustainably improve corporate value
- Boost capital returns
- Strengthen profitability

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Improving Capital Returns: Bolster Benchmark Management

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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

Improve corporate value

Income and capital gains

Integrated corporate activities

Shareholder benchmarks

ROE > Cost of equity	Optimize capital structure

Management

ROIC > WACC	Manage business portfolio

Business management

Business > Hurdle rate	Make investment decisions

Divisional management

Divisional KPIs	Strengthen the customer value creation process

Improve capital returns

Reinforce competitiveness

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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**

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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

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