

## Key Q&As

Q: Some companies have reported Apr-Jun quarter downturns in China and Europe. What was the situation like for Ricoh?

A: China has little impact on our performance as our business there is still small. European recessions and Brexit have yet to affect our results. There is plenty of scope for business expansion as market shares recover. As in Japan, we offer value-added solutions, and we anticipate order growth.

Q: I've heard that price competition is intensifying. What sort of competitive climate is Ricoh experiencing?

A: In Office Printing, we embarked on strategic reviews in Japan from 2016 and in the Americas and Europe from 2017 of unprofitable accounts, centered on large customers. Price competition is still intense, and we have not secured unprofitable accounts. We are shifting our focus to small and medium-sized enterprises and mid-tier companies, as price competition is lower in those customer segments.

Q: Gains on a property sale were one transient factor in operating profit rising in the first quarter. What exactly was that transaction? To what business segment did you post those gains?

A: The transaction was a plant site sale in Saitama, Japan. We recorded the gains in the Office Printing segment.

Q: You have maintained all of your forecasts for the full year. What is your risk stance in view of the business climate becoming more adverse?

A: Forex is the greatest risk in the macro arena. The impact for this quarter is 2 billion yen, and if it remains at this level we will endeavor to cover it through cost reductions and structural reforms.

Q: How are your businesses progressing in terms of your targets?

A: We are exceeding our targets in Office Services. Other businesses are basically performing as planned. We anticipate slightly more growth in Commercial Printing and Industrial Printing and are taking various steps to expand sales.

Q: Page 5 of your first-quarter results presentation shows a 3.0 billion yen impact of one-time factors in operating profit comparisons for the term. Where is this amount included on page 16 of that presentation, which presents your operating profit forecast for the full year?

A: One-time factors are not included in our forecast for the year or chart of changes.

(Q&A) FY2019 Q1 Financial Announcement

Q: Your forecast for fiscal 2019 shows a basically zero impact of the sales and product mix compared with a year earlier, but for the first quarter there was a 3.1 billion yen decline. What turnaround measures are you taking in the second quarter and beyond? In Commercial Printing, you have experienced growth since the second half of fiscal 2018, while in Office Services you expect a slowdown in the second half of this fiscal year in the impact of Windows 10 migration, and I think these should be other factors.

A: We look for contributions from Commercial Printing and Office Services.

In Commercial Printing, we support customers through our engineers at each site, especially in the United States, with prospective pipeline increasing. Growth started from the third quarter of FY2018, but that was when such a support setup was not in place, so I anticipate growth in the second half of this fiscal year.

On the Office Services front, we set up several value-added models, and are educating in sales and creating an environment that is conducive to expanding sales. Such efforts should contribute to progress in the second half. The Office Services market is massive, and we look to expand our business by offering value-added models that help customers resolve their issues.

Q: Why did MFP non-hardware sales drop 7% from a year earlier? You mentioned the impact of Golden Week holidays in Japan (fewer business days) and trade friction. I'd like more details.

A: Basically, we recognize that no-hardware decline around 3%. One-time factors accounted for the rest of the decline. These were that the early May holidays in Japan were longer than in the previous year, while overseas we secured sales inventories at the end of the previous year for parts and supplies, constraining first quarter shipments. Sales inventory rationales differed by region. In the United States, we swiftly shipped Chinese-made parts for inventory in view of the impact of trade friction. In Europe, we amassed inventories at each site to avoid the impact of Brexit on supplies manufactured in the United Kingdom and shipped around Europe.

Q: MFP non-hardware sales in the fourth quarter of FY2018 did not grow much compared with a year earlier. Does that mean that the situation became tougher after stripping out the impact of sales inventory?

A: You could say that.

Q: For new Office Printing products, from around when will more efficient maintenance services contribute to earnings? What has the response been thus far?

A: The frequency of calls regarding the receipt of defective new products and regular inspections has been as expected, and our maintenance has already begun to bear fruit in Japan. With less frequent parts replacement and servicing visits, costs have begun to decrease. The same is

happening overseas.

Q: After factoring out the forex impact, Office Services sales increased 11.8% in Japan and 4% overseas, for an overall gain of 8%. Given that Windows 10 migration is a special demand factor, what sales growth can we anticipate? Also, are your salespeople visiting customer sites to discuss Windows 10 migration able to generate additional services sales?

A: Demand relating to Windows 10 migration does not contribute all that much to earnings. We look for growth in businesses other than PCs. While PC replacements might create some opportunities for discussing IT service deals, we can offer numerous business solution approaches. We have prepared simple proposals for salespeople that quantitatively show the benefits of deploying our solutions, and they are getting appointments with customers based on such proposals.

Q: How will you set about avoiding any downturns next year, notably by increasing the range of business solutions and scrum packages in Japan?

A: In view of the direct sales capabilities of Ricoh Japan, only a handful of businesses and companies around Japan can deploy our IT services, so there is tremendous scope for business expansion. It is also worth noting that the Japanese government has rolled out IT deployment subsidies to help small and medium-sized enterprises improve their productivity. Ricoh Japan has been recognized as the best in Japan since FY2018. We want that momentum to continue. Also, we will increase the types of product in our scrum packages, with improved variety coming from combinations with advanced MFPs and Ricoh Smart Integration.

Q: What is your stance on the risks of greater than expected expenditure in the healthcare business from new initiatives and commercializations?

A: We will incur various costs in launching new businesses. We need processes for customers to use products before rollouts and acknowledge their value, and that costs some money.

Q: To what extent are you allocating resources to the healthcare business, including through mergers and acquisitions?

A: We announced a multi-billion yen investment in Elixirgen Scientific, which offers special technology to differentiate iPS cells. We invested in that area because we look to pursue nerve cell development in the healthcare.