

## Key Questions and Answers

Q: You said that operating profit for the fourth quarter of fiscal 2020 effectively rose 22.1 billion yen (see Key Indicators on page 7 of the results presentation, titled Consolidated Results for the Year Ended March 31, 2021). Please provide the details.

A: The gains were primarily from the Office Printing and Office Services businesses. In Office Printing a 10 billion yen risk contingency did not materialize, while non-hardware sales exceeded expectations. In Office Services, Scrum Series sales were so robust that we posted a record high in one month for domestic sales of Scrum package. Another upside factor was that companywide expenses were lower than we projected.

Q: How did the Office Services business perform in Europe in the fourth quarter? What is the relationship between orders for package deployments (see page 13 of the results presentation) and your outlook for fiscal 2021? Are your expectations high for the second half of fiscal 2021 or is there still some uncertainty?

A: In Office Services in Europe we will expand our business in two key respects.

First, we will build the package business we are developing through direct sales channels. The COVID-19 pandemic boosted teleworking and other digitalizing demand, so we are accelerating expansion.

The second is contribution of companies we have acquired by strengthening our capabilities. Each of those entities is building synergies by doing business with Ricoh customers. Approaches are lacking in some respects, so we very much look forward to sales expansion. Synergies include incorporating application and cloud services from companies we have acquired in packaged products we sell through direct sales channels. Various ideas have emerged that should broaden our product and services lineups, thus boosting our business performance.

Complementing efforts to strengthen our capabilities are good communications between the top managements of Ricoh Europe and the IT service companies that have become part of the Ricoh Group. Those executives exchange views extensively while maintaining their respective corporate cultures. The organizational culture seems to be transitioning away from a focus on office equipment manufacturing toward that of a digital services company. We are reforming steadily, and we are confident about our prospects.

Q: In Fiscal 2021 Forecasts by Segment on page 28 of the results presentation, the Office Services business is projected to grow by around 90 billion yen in sales and 10 billion yen in operating profit from fiscal 2020. That gives the impression that your marginal profit is a little low for such a business. Will any expenses rise in accelerating this business?

A: Some expenses will increase as we endeavor to enhance our capabilities to drive business growth.

We will incur costs for hiring personnel with strong IT service skills and training existing employees to become service personnel. There will also be spending to prepare educational curricula and sales promotion tools for application services that we can deploy globally such as DocuWare.

We book these costs as growth investments and expenses, as presented in the Operating profit comparisons for fiscal 2021 forecasts discussed on page 26 of the results presentation. These

are growth investments that we must take even though they may detract from near-term profitability.

Q: To what extent will Graphic Communications help you reach your 150 billion yen operating profit target for fiscal 2025? I understand that the target for fiscal 2022 that you explained today is the halfway point in operating margin terms.

A: As you know, we will keep expanding our business from fiscal 2022 to fiscal 2025, with Graphic Communications contributing to at least 10% of the fiscal 2025 consolidated operating profit target of 150 billion yen.

The Graphic Communications forecasts for fiscal 2021 and fiscal 2022 on page 38 of the results presentation indicate that this business unit will generate 8.7 billion yen from growth and structural reforms in fiscal 2022. The effective growth net of spending needed for expansion should be around 19 billion yen. We will act urgently to keep expanding business over the medium and long terms.

Q : Is the forecast of 35.0 billion yen from structural reforms as an operating profit factor on page 26 of the results presentation a conservative figure or a challenging one? Also, will there be any expenses associated with structural reforms in fiscal 2021?

A: In the Office Printing business, we identified lower product costs, improved development and production efficiency, and services reforms to bolster the business structure. We based all of these measures on achievements over the past two to three years, so we are very confident that our targets are attainable. Also, our investments have run their course, so we do not expect to incur significant expenses.

In Commercial Printing, we will similarly benefit from and develop based on past endeavors, so we are very certain of reaching our goals there. Augmenting the development and services initiatives that we explained today, we will also strive to reinforce our business structure in production and sales terms. We have presented combined targets and will make steady progress.

Q: Tell us about allocations for the first and the second half of your full-year forecasts.

A: Allocations will be larger in the second half of the year. Recovery timings from the pandemic will vary regionally, greatly affecting situations for Office Printing and Commercial Printing. In the United States and the United Kingdom, where vaccination rates have progressed solidly, we look for economic activity to return to normal in around July, with performances recovering rapidly in early fall. We don't expect recoveries in Japan or in elsewhere in Europe to begin until 2022.

Q: I'd like to ask about your disclosure segment changes. Why did you set up Digital Services and Digital Products segments but not create an Office Services one.

A: We did that for two main reasons. First, the Office Services we offer customers combine hardware, software, services, and support. MFPs are edge devices for our services. In Japan, for example, we already provide around 30% of MFPs with a range of IT services and support, making them inseparable from Office Services. Second, we aim to leverage our customer base. In running a services business for our global office printing customer base, it would be more efficient to work under the same setup. For these reasons, we decided to create Digital Services and Digital Products segments for our business.

Q: Why are Digital Products sales levels different in the Fiscal 2021 Forecast by Segment on page

28 of the results presentation and in the Forecast of Consolidated Sales by Product Category section on page 31 of the Flash Report?

A: Digital Products sales are basically internal, although there are some original equipment manufacturer and other sales to external parties. Our sales forecast of the Flash Report eliminated internal sales.

Q: What are your projections for the segment breakdowns of operating profit for next fiscal year, when the 20<sup>th</sup> Mid-Term Management Plan ends, and in fiscal 2025? Will Digital Products earnings rise over the medium and long terms or might they stay at current levels, with growth basically coming from Digital Services?

A: We have not provided operating profit breakdowns ratio for new segments and will look into that.

For segments to date, we have indicated that operating profit from Office Services should surpass that from Office Printing in fiscal 2022. The breakdowns would be 43% for Office Services and 41% for Office Printing. Office Services would account for 54% of operating profit in fiscal 2025. So, we expect services business to grow.

In Digital Products, we expect non-hardware earnings to decline at a compound annual growth rate of 4% to 5%. We would offset the non-hardware decline through original equipment manufacturing and by providing new edge devices. Digital services should expand significantly, primarily in Office Services.

Q: In Graphic Communications, you project greater sales growth through fiscal 2022. Might you incur some risks in that regard?

A: For the production printing and enterprise printing businesses, we set annual targets that we have backed with measures.

Our non-hardware forecasts are conservative. Still, we look for non-hardware sales to grow even more in fiscal 2022 than in fiscal 2021 owing to expansion in the number of machines in field through progress in digitizing print processes. Sales gains from fiscal 2021 to fiscal 2022 should thus be significant.

Q: Do your fiscal 2021 forecasts reflect the assumptions presented for Graphic Communications?

A: Yes, they do. Earnings contributions are consistent for the numbers in the fiscal 2021 segment forecasts on page 28 of the results presentation and in the operating hierarchy chart for fiscal 2020 through 2022 on page 38 of that presentation.