

**Key Questions and Answers**

- Q: You said that the non-hardware sales turnaround in the Office Printing business of the Digital Services segment was 2% lower than expected. How did that affect your operating profit projection for the first quarter of this fiscal year? What's the outlook for the second and subsequent quarters?
- A : The estimated operating profit impact of the later-than-expected non-hardware sales recovery in the first quarter was about 2 billion yen. The timing of non-hardware recoveries should vary regionally. We based our projection on the assumption that a full-fledged U.S. recovery would be from around September, with Europe's turnaround starting in around fall this year and Japan's beginning in 2022. We accordingly expect the recovery to be slow in the second quarter, with the pace picking from the second half of the year. Vaccination progress will shape changes in office attendance rates and non-hardware sales recoveries.
- Q: Were first-quarter earnings 2 billion yen lower than you targeted?
- A: We reached our operating profit target. We performed better than expected in the Commercial Printing business of the Graphic Communications segment and in other areas, more than offsetting lower earnings than expected in Office Printing non-hardware.
- Q: I would like to know about the non-hardware business recovery situation in the United States. The Office Printing sales heatmap on page 9 of your first-quarter Consolidated Results presentation shows relative recoveries in the third and fourth quarters of last fiscal year, with conditions again deteriorating in the first quarter of this year despite vaccination progress. How do you assess that situation? Also, do you think that returns to offices will be as projected or might there be delays as some sections of the media have reported?
- A : It is hard to tell from the sales heatmap because March 2021 showed an apparent recovery from the impact of the COVID-19 pandemic in the previous year. In reality, demand remains sluggish, at around 70% of the fiscal 2019 level. More people appear to be returning to city centers owing to progress with vaccinations, but office attendance rates aren't particularly high owing to such factors as compensation for absence. We look for a full-fledged recovery to start in around September. This is in view of the new school year commencing after the summer vacation and this being when, as reported in the media, companies begin applying work attendance policies. We have not changed that assumption from the start of this fiscal year. We will inform you at the appropriate time if we need to change anything based on non-hardware results in around September and October or other factors.
- Q: Teleworking take-ups and other developments have transformed work. Can we simply assume that output volumes will recover once people start going back to offices?
- A: Telework will likely take hold to an extent, while document digitization will probably increase owing to changes in work practices. Our medium- and long-term plans reflect such factors. Non-hardware sales should recover to around 90% of previous levels once the pandemic's impact abates. We thereafter envisage annual revenue declines of 4% to 5%. We will support customer workers at offices, in the frontlines, and at home through output and complete workflows in cultivating growth in our Digital Services segment.
- Q: I would like to ask about Office Printing business hardware. Do we need to consider the risks of an MFP sales downturn?
- A : Putting differing regional trends aside, orders are increasing with MFP replacement timing. Our pipeline is full, as expected. We look for a hardware sales recovery to accelerate as vaccinations progress and people return to offices.
- Q: Did ocean freight charges increase more than expected? Do you think you can absorb these expenses as you initially projected even though the situation will likely remain adverse in the second quarter and beyond?
- A : Ocean freight charges and parts shortages increased expenses by 2.6 billion yen in the first quarter. We expect similar impacts and will accordingly strive to minimize them and control costs. As long as there are no significant changes in the market environment, including risk factors in our projections, we expect the situation to be within our projected scope.
- Q: I would like to ask about your Scrum package progress. Your first-quarter unit sales were lower than in

the fourth quarter of the previous fiscal year. Was this in keeping with your forecasts for this fiscal year on pages 8 and 15 of your first-quarter Consolidated Results presentation?

A : We are progressing as planned overall. Scrum packages are central to our sales activities in Japan, and we have steadily improved the proposal skills of our sales personnel.

Q: Why has your average Scrum package unit pricing slipped?

A : Prices fluctuate to an extent according to the sales composition, which has changed with relatively more sales of telework-related packages with low unit prices. We expect unit prices to rise as we focus on industry-specific packages with higher unit prices.

Q: Your Scrum package growth rate in the first quarter was higher than in a year earlier. Why was that?

A : That is because we have enhanced the proposal skills of Ricoh salespeople while generating proposal and sales progress among dealers. Another contributor is that we have begun collaborating with local banks, cooperative financial institutions, and chambers of commerce and industry across Japan that serve the small and medium-sized enterprises that are our target customers.

Q: In the Office Services business, your first-quarter sales were on par with those of the third quarter of the previous fiscal year, although, operating profit was low. Why was that?

A : Profit margins tend to be down slightly in the first quarter. That is partly because sales from major customer one-time projects with relatively low profit margins are pushed back from the fourth quarter of the previous fiscal year. Actually in the Office Services business, operating margins have tended since fiscal 2018 to seasonally bottom out in the first quarter and rise toward the fourth quarter. We anticipate quarterly improvements this fiscal year.

Q: You are starting a new data business employing artificial intelligence. How is this effort progressing?

A : In June this year, we announced the domestic launch of the AI for Work service, which uses natural language processing to analyze documents and other work information to help improve operational efficiency. We are pushing ahead with internal training, and will get back to you with information once we launch the service and start getting customer feedback.