

**Main Questions and Answers**

- Q: What sets Ricoh apart from leading IT vendors in the digital services space and what are its strengths there?
- A: As explained today, we aim to significantly reinforce our business process automation and communication services capabilities for large customers. That is because we see synergies with managed services and other office services that we have offered to our strong customer base.
- We think that our strength with small and medium-sized enterprises is that we can stay close to them and provide the expertise and services they need to resolve their business challenges. In other words, we can provide the support they need beyond just completing processes in cloud or online environments, delivering high-quality services. So, we don't look at leading IT vendors as direct competitors. We will provide meticulous services that leverage our strengths.
- Q: As you transition away from being an office automation equipment manufacturer into a services company, do you plan to reskill people in office printing business developing and maintaining that equipment as IT professionals?
- A: Upholding our top share of the A3 MFP market will continue to underpin our business. We need a certain number of sales and maintenance people to maintain global service levels. We will keep working with customers to create value. Our office printing business needs to improve profitability by undertaking structural reforms. While digitalizing processes, we are streamlining our structure. We are reskilling our people. We are accordingly shifting some of them to digital services. We will keep bolstering our structure so it is more suitable for a digital services company.
- Q: There is plenty of scope for digital transformation initiatives among small and medium-sized enterprises in Japan, so there seems to be growth potential. While I can understand Scrum package demand will grow, I'd like to know what Ricoh Japan's competitive edge is, including in terms of talent. That's because rivals are offering similar products and reinforcing sales.
- A: Ricoh Japan's 4,500 customer engineers can already maintain IT services and MFPs. We believe that one strength is that we created a delivery and services network that can provide and maintain such office services as Scrum packages around the nation.
- Also, we have created Scrum packages incorporating new technologies. We are developing and enhancing sales, services, and technology professionals to serve customers. In the first half of fiscal 2023, 3,635 of our people had Professional Level 3 or higher certifications.
- To illustrate where we stand, we think that other companies also offer various products that make teleworking possible. But as we showed with our success story highlighting the Ricoh Comprehensive Telework Pack we surpass rivals in delivering customer solutions. We will continue striving to become even better at this.
- Q: Tell us about the recurring revenue ratio for Scrum packages. Can we expect the ratio to gradually accelerate? I'd like to know if you envisage a particular composition or growth rate for the ratio over the medium through long terms.
- A: We do not have any specific recurring revenue figures for Scrum packages we can share for near-term or later growth but we will consider doing so down the track.
- Almost all new Scrum packs are under subscription agreements. At this juncture, we think the initial sales composition at deployment is still high, although we expect a reverse trend as revenues accumulates, and aim to accelerate growth by increasing recurring revenues.
- Q: Tell us about your global recurring revenue breakdown and growth prospects.
- A: There are three main global recurring revenue categories. The first is managed IT services, including IT maintenance and operations. The second is application services. This growing area

includes partner products and highly profitable in-house software. The third is Business Process Services, which are mainly in North America.

IT services and Business Process Services account for a large proportion of sales. The large IT services market will continue to represent a high percentage of revenues, although we are striving to expand sales of our highly profitable application services for a portfolio that better balances the three categories.

Q: In growing your services business overseas, do you need to undertake a lot of forward spending or cultivate deals from low profitability levels? Do you face profitability risks?

A: In North America, we rolled out DocuWare three years ago in the application services domain. This business has been extremely profitable and is expanding. We recently launched RICOH kintone plus, which we are deploying to small existing customers through inside sales and should be highly profitable, reflecting efforts to keep sales costs low. Through the digital marketplace environment, we believe that we will be able to offer services on a self-service basis, driving higher profitability.

We are combining these solutions with IT services and security solutions and offering them as services, which should make profitability higher and deliver significant growth potential.

In Europe, we learned much from many years of developing office services.

Some office services are not as profitable as office printing. We have been considering how to improve the profitability of these services, combining them with more profitable offerings, as we have done in North America. We believe that our recurring revenues are key sources of earnings, and are accordingly focusing on them. While we are little interested in a sell-out business model, this is what customers sometimes want. In such situations, we endeavor to deliver software, and operational and maintenance services as businesses that are ancillary to our recurring revenue setup.

From a cost perspective, there are investments in human capital. One of our strengths is that we can operate globally, drawing on customer engineers who support that capability. They are extremely valuable assets for us and are keen to learn new things. We have reskilled these existing people and while securing new talent in shifting to office services. We don't consider these costs high. In deciding on acquisitions, which are large investments, we have also assessed whether target companies offer good talent and high profitability and can undertake recurring revenue businesses.

Worldwide, we still see application services as a future growth driver.

We said that DocuWare has more than 500 qualified employees. It is investing in human resources because it needs a three-tiered structure of account sales, application consultants, and systems consulting.

Account sales people learn of customer needs. DocuWare application consultants then step into the picture because they have the expertise to approach customers, ask about their needs and challenges, and define requirements. Once they secure orders, we shift to the design and implementation phase, which DocuWare systems consulting people handle. We design systems that meet customer needs and support deployments.

People in the second and third tiers are specialists who are essential for taking orders. We are investing globally in their development. In the Asia-Pacific region, which we said there are challenges, we chose three countries in which we reinforced personnel through reskilling or new hires, placing specialists in second and third tiers. The software business is very profitable. We are expanding it through the forward investments it needs.

Q: Mr. Kasai, you took over as the president of Ricoh Japan on November 15. Could you share your aspirations and management policies in that role?

A: Before taking the helm there I oversaw corporate planning at RICOH Digital Services. There, I

helped formulate and launch Ricoh's 21<sup>st</sup> Mid-Term Management Strategy, which is now under underway. As president of Ricoh Japan, I am now in a position to execute that initiative. I probably will not change our business policies significantly during the 21<sup>st</sup> Mid-Term Management Strategy.

A prime strength of Ricoh Japan is that it can provide the tools that customers need. As the case study I presented today illustrates, it is important to be able to offer proposals that address the key issues of customers, with customers finding our solutions valuable and building a highly profitable lineup of recurring revenue offerings. I will adhere to that approach and collaborate with colleagues to enhance skillsets for that purpose.

Q: To what extent has compliance with the Electronic Bookkeeping Act and the invoice system benefited your business in Japan? Also, what challenges might small and medium-sized enterprises face in digitalizing their business processes, and how can you support them in that regard?

A: We offer some Scrum series that are compatible with electronic bookkeeping and invoicing systems. Customers are swiftly adopting our offerings. While demand spiked in September this year to comply with the invoice system before its launch in October, many mid-sized companies and small and medium-sized enterprises who are making do for the being with manual processes. It is also worth noting that amnesty measures for shifting to electronic vouchers under the revised Electronic Bookkeeping Law are ending in December this year. We will keep providing support for process digitalization and supplying Scrum packages alongside seminars and other educational initiatives.

We have focused on support for adopting back-office processes, including by developing human resources, as an area that we will strengthen. We will keep focusing on that field, as there is still scope for digitalizing manual tasks.