

Main Questions and Answers

Q: After subtracting your cumulative factors in changes in operating profit for nine months of the year from your full-year forecast, your sales and product mix would be negative in the fourth quarter. Won't the impact of new models make it positive?

A: While we anticipate an improved sales and product mix owing to the impact of new models, the removal from consolidation of the semiconductor and logistics businesses and a focus on profitable business deals would mean a year-on-year revenue decline. Given an ongoing fall in unit prices and higher raw materials in the Thermal business, we do not expect the product and sales mix to be in positive territory in the fourth quarter.

Q: How have unit price increases for new MFPs benefited you? Also, when do you expect envisaged gross margins to materialize, notably through clear regional impacts and lower maintenance costs?

A: We will be benefited worldwide from new products. We anticipate enhanced earnings on hardware from new product unit prices and volumes. We also look for lower maintenance costs, including from reduced failure rates and extended parts replacement cycles. The benefits of lower maintenance costs are because replacement purchases of machines in field have gradually risen to the fore, so we should enjoy earnings improvements over the medium term.

Q: Why did gross profit drop from inventory adjustments owing to new product switchovers in the third quarter?

A: Dealers normally secure inventories in keeping with sales volume projections before new offerings are launched, selling them thereafter. In the third quarter of this year, however, dealers narrowed down inventories for the switch to new models (they adjusted inventories). As a result, sales to dealers for inventory adjustment amounts were shifted back to the fourth quarter and beyond, causing gross profit to fall.

Q: Did you perform as projected internally in the third quarter?

A: We performed almost as planned. In Office Printing, revenues were down owing to inventory adjustments in line with a switch to new models, and we believe that sales will recover from the fourth quarter.

(Q&A) FY2018 Q3 Financial Announcement

Q: Can we conclude that the negative sales and product mix effectively shrank after factoring out transient and extraordinary factors?

A: After excluding the downside earnings impacts of the removal from consolidation of the semiconductor and logistics businesses and inventory adjustments in line with switches to new models, the sales and product mix was not effectively negative. This situation has continued since the second quarter.

Q: Why have MFP non-hardware sales continued to decrease?

A: One strategy under our mid-term management plan has been to focus on engaging in business negotiations that we deem profitable. Overseas in particular, the number of machines in field has declined as a result of this approach. On top of that, unit prices have fallen, with MFP non-hardware revenues continuing to decline. We assume that these revenues will dwindle for the foreseeable future owing to lower unit prices. Still, with our current new models we have strengthened functions that contribute to lowering non-hardware costs, including maintenance costs. So, for next year and beyond we look forward to replacement purchasing of machines in field and improved non-hardware earnings.

Q: Office Services sales have steadily risen. Do you sense that you are qualitatively well placed for next year and beyond, notably in terms of enhancing motivation through sales evaluation system reviews? Also, what overseas deployment progress have you made?

A: Japan accounts for a great proportion of our Office Services business, and sales are accelerating on momentum from developing business- and task-specific capabilities. Heading toward next fiscal year, we have incorporated selling such Office Services tools as our business- and task-specific models in our sales evaluation system, and we anticipate ongoing expansion. Overseas, demand and our expertise and strengths differ from country to country. We are keeping tabs on market characteristics and our strengths in each region while pushing forward with marketing proposals to customers that serve as good models for each country and territory. We are seeing gradual contributions to results.

(Q&A) FY2018 Q3 Financial Announcement

Q: In Commercial Printing, you have performed solidly in hardware and non-hardware, partly because of the impact of new models. But your earnings rose only 500 million yen in the third quarter. Were any negative factors in play? Might you become slightly more profitable from the fourth quarter?

A: The earnings rise was small in the third quarter, but this was relative to earnings being high in the previous corresponding period as a result of low development expenditure. We anticipate better figures from the fourth quarter on the steady impact of new models.

Q: Office Services and Commercial Printing are among the businesses generating growth. What is your view on your underlying growth rates heading toward FY 2019?

A: We believe that there is scope for further growth in Office Services. We have already established models that factor in the actual information technology environments of customers in various countries, rolling out business enhancement proposals. In Commercial Printing, we have fully switched to new products and will generate steady growth in keeping with the impact of such change. On the Office Printing front, the challenge is to maintain earnings. Including in Office Services, we have prepared a framework for producing proposals that comprehensively enhance customer tasks. We will improve our performance, even in Office Printing, by generating profits from the perceived value that we deliver to customers.

Q: You will complete your current mid-term management plan next fiscal year. How do you expect your actual profitability to increase in each business?

A: In Office Printing, we expect non-hardware earnings to decrease 2% or 3% even if we expand new model sales, as we are focusing on profitable business deals. We will accordingly undertake activities to reduce costs and raise Office Services and Commercial Printing earnings. In the Thermal business, we are revising selling prices in view of high raw materials costs and undertaking cost-cutting initiatives. We rolled out new products at the end of last month and are heading toward improvements. In Industrial Printing, we are strengthening sales expansion momentum around Asia including China. We are developing textiles applications in particular while starting to market applications to various enterprises.

(Q&A) FY2018 Q3 Financial Announcement

Q: What is your inventory level outlook for the end of this fiscal year?

A: Excluding inventories secured in view of the impacts of trade friction between the United States and China and Brexit, we anticipate that inventories will be at around the levels of last fiscal year, as inventories will shrink as sales expand toward fiscal year-end.

Q: At the second quarter announcement, other expenses as factors in operating profit changes will increase strategically but did not increase much in the third quarter. Why?

A: While strategically increasing expenses in the third quarter we also controlled regular expenditure, while some expenses slipped to the fourth quarter. While expenditure will depend somewhat on what happens in the fourth quarter, we will continue striving to control costs through the fourth quarter.

Q: What is the current situation at Ricoh India?

A: The legal process is under way, and we have yet to determine amounts of the losses and when they will be posted. We will keep tabs on progress.