

### Key Questions and Answers

- Q : Your explanatory materials indicate that you look for global software sales to grow at a compound annual growth rate of 30% to 40%. Where do you stand right now? Also, I think a SaaS (software as a service model) will be important to increase recurring revenues. What is your stance in that respect?
- A : On the software front, we anticipate growth from DocuWare and RICOH kintone plus. A SaaS model is very important, as you noted. RICOH Smart Integration will be the platform for cultivating it and expanding our recurring revenue businesses.  
In terms of where we stand with global software, we are enjoying steady growth with DocuWare. As it is a SaaS business there is no inventory. So, when customers pay in advance, working capital becomes negative under that business model. The profit margin is very high and does not increase working capital, so we look to expand that business considerably. We do not have specific figures that we can disclose regarding global software or the size of our SaaS business, but I can say that we expect these areas to contribute significantly to earnings growth in fiscal 2025.
- Q : For Graphic Communications, you aim to increase sales from the fiscal 2022 level to 40 billion yen by fiscal 2025, with operating profit climbing 4 billion yen during that time. The operating profit growth target seems lower relative to sales than for other businesses. Could you explain why that might be, rising costs being one possibility?
- A : The sales increase does not lead directly to operating profit because there are some forward investments in growth. We are cultivating our business while investing as needed for fiscal 2025, and we do not project massive operating profit gains under the 21<sup>st</sup> Mid-Term Management Strategy. Still, we anticipate growth in view of the customer reception for our products and progress with our pipeline.
- Q : I note that operating profit in Others and Companywide and eliminations combined was conventionally more than 10 billion yen in the red. You target 6 billion yen in operating profit for fiscal 2025. Please backdrop why that is so?
- A : This situation owes largely to the Other category covering PFU's earnings. We look to generate some income from the new businesses whose growth we are accelerating to resolve social issues, so we should be in the black in fiscal 2025 even after factoring in headquarters and other expenses.
- Q : Page 39 of your presentation states that your policy is to increase your total return ratio in stages to reach a targeted 50%. What is the time frame for that? Will you reach that goal under the 21<sup>st</sup> Mid-Term Management Strategy or during its successor initiative?
- A : Our policy is to reach that target during the 21<sup>st</sup> Mid-Term Management Strategy. Because we aim to increase earnings we accordingly seek to boost dividends. We will basically emphasize dividends, although we do not expect to increase them fast. If returns are inadequate, we will undertake additional steps when the time is right. These efforts will take into earnings, cash flows, and the operating climate.
- Q : You said about human capital that you will shift resources from mature fields to growth areas . Should we conclude that you will reduce headcount in the office printing area? Also, will you add or reduce personnel numbers overall or maintain current levels?
- A : The office printing area is mature. We will endeavor to enhance efficiency as much as we can there and shift valuable personnel to growth areas while paring down headcount to retain the numbers necessary. While we will add more employees owing to acquisitions and other growth investments, there will also be natural declines owing to retirements and other factors. So, we do not expect much of a change in overall headcount.
- Q : I thought that your digital services model (see table on the right of slide 15) is one in which each region shares solutions, with headquarters in the center. I assume that there are differences in customer sizes, culture, and practices across different regions, but to what extent is sharing possible? If you are already facing issues, please tell us about them.
- A : There is a limit to which things are the same at this juncture. That said, there are areas where business practices are similar, notably in Europe and in parts of Asia that were formerly British

colonies. In Europe and the United States, many global accounts extend across countries. Such customers require uniform services.

Also, headquarters provides RICOH Smart Integration, which makes it possible to provide new services by combining functional modules on that platform. Although setups are not exactly the same across regions, we are exploring ways to use them effectively by combining the required modules for each region.

- Q : For your digital services company approach, I understand that growth thus far has centered on Japan and Europe. Which regions should drive overall growth in coming years?
- A : While Japan and Europe will keep driving growth, we anticipate that much of the earnings gains under the 21<sup>st</sup> Mid-Term Management Strategy will be from North America. There, we anticipate increasing profits by pushing forward with digitalizing Business Process Services, our current personnel dispatch business. While we will eventually focus on Latin America and Asia, we think there will be areas in which we push ahead on our own in the region and those in which we cultivate services in Europe and the United States.
- Q : Your Ricoh Digital Products forecasts are for lower sales and earnings in fiscal 2025. I found that surprising because you had explained that you would increase edge device sales. Why is there this discrepancy?
- A : There is a fair risk of sales declining in Office Printing non-hardware despite edge devices growth. The non-hardware risk is also principally why we lowered the fiscal 2025 operating profit target from 150 billion yen to 130 billion yen, under the 21<sup>st</sup> Mid-term Management Strategy.
- Q : What are Ricoh's strengths in commercial and industrial printing, which you have identified as growth areas? We have heard little about your initiatives, including for textile printers and do you plan at all to strengthen those areas?  
I also think that the jetting area offers potential. What are your initiatives and prospects in that respect?
- A : Our two digital printing strengths are our sales and service network and our technology. For the our sales and service network, we are reskilling our office printing personnel and shifting to people who can maintain our commercial printing business, globally. Our worldwide service network is a great edge in providing services to customers.  
A key technological strength is the quality of our proprietary inkjet printheads. They can discharge very viscous ink, so their output quality is similar to that of offset printing and the printheads can handle an array of materials. In textiles, we provide printers that can handle T-shirt printing, and our inkjet printheads serve in the textile printers of other companies. We also offer our products to various other industries, such as for wallpaper printing.
- Q : I think it's also important to take steps to support the printing sector, which is experiencing hard times. What are your thoughts on that?
- A : We believe that things depend on customers. They who do business with us think that they should shift away from conventional offset printing and enter the digital world. We want to collaborate with them to create new business models. We are starting to support them not just in terms of equipment but also in terms of ways to structure their overall business models. Also, we have customers in printing businesses globally. We are co-creating with them and business partners through RICOH Business Booster. Many customers are taking part in these activities and sharing information. We are striving to digitize and enhance product quality and printing processes. Our circle of customers is gradually expanding.
- Q : Tell us about your scope for structural reforms. You apparently expect office printing sales to fall. Do you have any plans to downsize your production system or outsource the production of some offerings? Also, you still have some assets, such as policy shareholdings and shares in Ricoh Leasing. Is it correct to conclude that you might divest shareholdings assets under the 21<sup>st</sup> Mid-Term Strategy?
- A : Our A3 MFP production process does not inherently necessitate large capital investments. We have a manual assembly process that makes our production system flexible and responsive. We responded to recent materials shortages and other external factors by undertaking a range of

measures, such as flexible production and deploying multi-replacement designs. Through this situation, we are gaining resilient production capability. We will keep improving our supply structure by drawing on our experience in this area under the 21st Mid-Term Management Strategy. We might supply on OEM bases for MFPs and options as needed. We might conversely purchase on OEM bases. We would like to refrain from sharing specifics, as moves would involve other parties.

We will constantly review the extent to which we sell assets and how effectively these efforts are, acting flexibly. While we hold assets, none are surplus to our needs. Please understand that we would not retain idle assets. We do not plan to sell our Ricoh Leasing stake at this juncture, as we consider that company an important partner and Ricoh Group member.

Q : Given that there seems little room for restructuring by reducing headcount or selling assets at this point, can we conclude that you will leverage existing assets or draw on acquisitions to pursue ongoing growth?

A : That's basically the approach.

Q : You've made around 20 acquisitions since 2013. Have these investments delivered returns?

A : We set up the Investment Committee, which discusses feasibility from financial perspectives, including in terms of capital costs, and acquisition processes. We base investment decisions on lessons from experience. The committee also monitors post-acquisition business plan progress. The companies we have acquired in the office services space have continued to expand revenues by more than 20% annually. While not all acquired companies are doing as well as planned, they are generally delivering anticipated results.

Q : What's your specific roadmap for reaching your fiscal 2025 financial targets?

A : We aim to reach our operating profit target of 130 billion yen by fulfilling the goals of three initiatives we describe on slide 13 of our presentation. We will push forward in transforming our business portfolio to lift revenues in digital services, a growth area, to more than 60% of sales. We also look to increase earnings from recurring revenues, which should consistently contribute much to profitability over time, will be increased by 18%. At the same time, we will expand areas other than office printing. Finally, we will relocate people to growth areas to boost per capita profitability by 70%.

Q : When do you expect to attain a price-to-book ratio of 1?

A : We cannot say when, but we hope to do that as soon as possible.

Q : I got the impression with Office Services in Europe and Japan that your operating profit increase was not sufficient for revenue growth in fiscal 2025. While you encountered some difficulties under the 20<sup>th</sup> Mid-Term Management Plan because of equipment shortages, you looked to boost earnings once the impact of shortages eased while sales of offerings not depending on hardware grew. You previously explained that you sought an operating margin of 10%. What's your current stance and how do you expect to proceed?

A : While we have not indicated specific operating margin targets or trends, we assume that we will lift the operating margin year by year by increasing the contributions of recurring revenue businesses while expanding sales of in-house software. We have not changed much particularly from explanations to date. The operating profit margin for the office services business, as we previously defined for that segment, is 6.9% for 9 months of fiscal 2022, and 7.9% for fiscal 2021.

While ICT equipment shortages in Japan have affected our performance this fiscal year, recoveries in momentum and operating margins in the third quarter were better than in the previous corresponding period. While we cannot say when our operating margin will reach 10%, we assume that would be in the second half of fiscal 2024.

Recurring revenue businesses do not generate massive sales at the outset, so revenue levels might temporarily seem insufficient. Over the medium through long terms, however, they should drive profitability gains.

Q : Can we assume that Office Printing business sales will decline toward fiscal 2025?

A : As you noted, our sales would drop if Office Printing were our only business. But we see MFPs

as edge devices. By incorporating scanner and other MFP functions into customer workflows, we believe that they can serve as indispensable edge devices in operations, leading to a different business model, one example being Device as a Service.

Q : How do things stand with office printing as a share of earnings from recurring revenues? How will this change in fiscal 2025?

A : Around 60% of earnings from recurring revenues are from office printing, with the balance from other areas. We look for non-office printing operations to account for 54% of earnings from recurring revenues by fiscal 2025. In office printing, we are vulnerable to a non-hardware decline down the track as work practices change and paperless printing gains ground. Under the 21<sup>st</sup> Mid-Term Management Strategy we aim to compensate for that by boosting recurring revenues from digital services, driving our overall business growth.

Q : What are your assumptions for a decline in office printing non-hardware?

A : We expect the market to shrink 4% to 5% annually. We consider it important to control pricing in various ways, such as by increasing sales of new products and offering new added value, to maximize non-hardware sales in our office printing business and offset around half of the expected downturn. In Digital Products, we project sales of 420 billion yen and operating profit of 34 billion yen in fiscal 2025. These figures would be below our forecasts of 459.5 billion yen in sales and 37.7 billion yen in operating profit for fiscal 2022. A contraction in office printing non-hardware seems inevitable. Overall, we will offset the office printing decline with digital services growth.

Q : Pull-based sales approaches like online and mail-order sales are emerging in markets for low-priced products. Are you considering similar sales setups?

A : As you indicated, we think that sales approaches are polarizing. Businesses with low-added-value offerings will use digital channels, telesales, e-commerce, and other setups incurring minimal sales spending. Where we can provide high value-added proposals that customers are prepared to pay for, we will draw on the close relationships that our salespeople and sales engineers have with customers to market our offerings. That said, even in high value-added businesses, we believe that we can shift to pull-based sales if we satisfy customers and they consider installing more of our offerings. We will strive to streamline selling while satisfying customers.

Q : Why do you now forecast a 13% share of sales from frontlines digitalization of just 13% in fiscal 2025 instead of the 15% to 20% that you projected previously?

A : There are no particularly significant issues. Note that the figure is an estimate for fiscal 2025. The digital services growth trajectories in commercial and industrial printing and in the thermal media businesses remain unchanged, as we explained today.

Q : I want to confirm your stance on human capital. You spoke about shifting personnel to growth areas through multiskilling and using employee experiences to develop human resources. Would you also undertake such approaches overseas, bearing in mind that job descriptions are apparently clear there?

A : The digital skills that we want our people to acquire are fundamentals for working anywhere, not just Ricoh. Rather than focusing on multiskilling and multi-functionalization, we will endeavor as a digital services company to implement proprietary digital technologies that we offer to customers. As you pointed out, employment overseas is based on job descriptions employment. Still, it is important for individuals to change amid diversifying customer needs and added value requirements. Rather thinking in terms of postings than based on fixed expertise, Ricoh employees need to consider ways to cultivate their potential and change jobs as our businesses evolve. Actually, there have been successes in such respects, primarily in Europe.

Q : I think a decline in your office printing business contributed to a downturn under the 20<sup>th</sup> -Mid-Term Management Plan. I understand that you are pursuing business growth in digital services areas such as office services. If your growth is less than the 130 billion yen operating profit you are targeting for fiscal 2025, is there any way you can fill the gap?

A : We will basically step up current measures, including structural reforms. We particularly seek to position MFPs as useful not just for copying and printing but also as workflow edge devices, offering entire workflows as solutions for new fixed charges. Reassessing the value of MFPs in this way and creating new business models are ways in which we can reduce declines.

Q : In looking back on the 20<sup>th</sup> Mid-Term Management Plan, I got the impression that asset sales and other upside factors came into the picture later. Even if you don't know exact amounts, I'd like disclosure of possible downside and upside factors.

A : The risks that we can comment on at this juncture include that of office printing non-hardware and the extent to which we can flexibly share the processes, systems, and resources of Group companies. We consider it important to address these issues by shifting from fixed to variable costs and transforming our structure to prepare for change.

Q : Am I right to assume that Ricoh Digital Services has also factored in declining revenues from the office printing business in its sales and operating profit? Putting that negative impact aside, can we anticipate brisker growth in the office services business?

A : Yes.

Q : What are your exchange rate assumptions under the 21<sup>st</sup> Mid-Term Management Strategy?

A : They are 125 yen to the dollar and 135 yen to the euro.