

Key Questions and Answers

ESG

Q: Ricoh recently won the Grand Prix award in the Nikkei SDGs Management Grand Prix and was selected in the World Index of the Dow Jones Sustainability Indices. These developments illustrate an increasingly high regard for Ricoh's ESG efforts. To what do you attribute such a robust reputation?

A: Our ESG commitment informs our corporate activities and financial targets. We identified and overcome issues by harnessing the objective and comprehensive criteria of the Dow Jones Sustainability Indices to verify our goals through the ESG Committee.

We set challenging environmental goals that we tackle in the course of business. On the governance front, President Jake Yamashita set about reinforcing our Board of Directors after becoming president three years ago. This year, he has encouraged business units to set their own ESG targets in view of companywide ones. In the social arena, we have long pursued progress in diversity and other areas. I believe that we have received recognition not just for top-down management efforts but also the attitudes of individual employees. Management will continue to step up initiatives from objective stances.

Q: You have led the pack in corporate Japan in undertaking ESG initiatives. What are your drivers and goals?

A: Companies that do not engage in businesses that help resolving social issues will probably fall by the wayside. All of our people, management and employees alike, are committed to sustainably enhancing corporate value.

The payoffs of participating in international initiatives are enormous. You can get useful intelligence by exchanging information with people from top companies and tapping expert advice. Setting and pursuing challenging goals encourages business units and employees to work out exactly how to attain them.

Q: How are you progressing in terms of RE100 and what issues do you face in that regard?

A: We are progressing steadily, particularly in Europe and China. Tapping renewable energy in Japan will be important to meeting our RE100 commitments. More specifically, we will clarify and address issues for each business site. The Japanese government's aim to decarbonize the economy by 2050 with virtually no greenhouse gas emissions has put wind in our sails.

Q: Given that the average service lengths of women exceed those of men, why is the proportion of women in managerial posts so low?

A: There was a large gender gap in service lengths before the turn of the century. We attribute the eradication of that difference to our early support for work-life balance, notably through the programs we've created and management's support for continuous service. Women account for only 15% of employees at Ricoh Co., LTD. That's the lowest percentage in the Ricoh Group, largely because the company recruits so many technicians and because so few science graduates are female. Gender proportions in managerial positions should ideally match those among full-time employees. I think that the difference shows that we haven't done enough to develop career paths for women in view of the greater challenges that they often face from life events. In recent years, such positive actions as educating about the importance of women's career development, providing management support, and producing guidelines have increased the female manager ratio to the extent that the percentage of

women taking managerial positions now exceeds the percentage of female employees. We will continue striving to close the management gender gap.

Q: Why are the female manager ratios of Ricoh and Group companies so different?

A: Japan lags many other advanced economies in a variety of ways, including in terms of gender gap benchmarks. This isn't just a Ricoh issue. I'm partly repeating the answer to the previous question, but we will act in various ways to increase the female manager ratio at Ricoh. These will include continuous service measures and training and business assignments to overcome career stagnation from the impacts of life events. We will also tackle challenges in keeping with business unit circumstances and set key performance indicators.

Q: Do you have any particular focuses for Ricoh and suppliers regarding human rights-related efforts?

A: In auditing production sites in line with Responsible Business Alliance standards, we sense a need to improve labor management. We will update the Ricoh Group's human rights policy and create a human rights due diligence system based on it, deploying it globally.

Office Services Business

Q: Half of your salespeople are in Japan. Do you still see a need to bolster acquisitions and personnel overseas to expand your Office Services business to bring it up to par with your setup in Japan?

A: Acquisitions can help us secure more necessary resources but are not the only means to that end. We will also collaborate more with partners and bolster our capabilities by rolling out expertise and knowledge from acquisitions to other regions. We will train Office Printing personnel and use people more efficiently, such as by shifting some to the Office Services business.

Q: What percentage of existing and untapped customers do you think will ultimately purchase Scrum packages? When do you think you would reach your target?

A: For a start, we seek to sell these packages to around 50% of existing small and medium-sized business customers by fiscal 2025. We will cultivate customers while cross-selling multiple packages to single customers.

Q: Tell us a little more about DocuWare's financial contributions to the Office Services business.

A: Its revenues still account for a small proportion of Office Services sales. There is considerable room for growth because profit margins are very high, so expansion would efficiently drive earnings. We are thus expanding globally. We also look for DocuWare to help generate more cash.

Q: What are the potential growth rates for the IT infrastructure, IT services, Business Process Services, and Application Services components of Office Services sales?

A: We anticipate very high sales growth rates in the IT services we're focusing on and in office digitization. I don't think Business Processing Services offer much growth potential in conventional on-site services, but we anticipate new potential from digitizing customer documents and linking them to data businesses. For Application Services, we look for workflow digitization businesses like DocuWare to expand significantly. We seek double-digit IT services and Application Services sales growth, with sales also rising from services related to Business Process Services digitization.

Q: You said that you've sold Scrum packages to 10% of Ricoh Japan's small and medium-sized business customers. How well do you think you are progressing? Growth seems a little slow from an outsider's perspective. What issues, if any, are there in that respect?

A: We've overcome a range of challenges to get this far. We're now selling 7,000 packages monthly, but three years ago, we started with one unit while educating our direct sales. We have tackled each challenge as it has arisen, such as to roll out offerings across the dealer network. So, while things may look slow, there is much less to tackle at this juncture. I think we can hasten our efforts from hereon.

Q: You have undertaken a lot of acquisitions in Europe. Are your regional operations or headquarters in Japan driving that activity? Has your Investment Committee rejected prospective purchases? Do you think you need more acquisitions to accelerate growth?

A: Our European operations and headquarters office are involved. We decide through deliberations between these parties whether to seek collaborations to augment Office

Services shortfalls in 11 major European countries or whether to overcome our challenges through acquisitions. We also seek acquisition deals that European operations drive. Prospective acquisitions must match three principles. First, we don't dive into deals. Second, we only target firms whose structures we thoroughly understand. Third, Ricoh personnel must manage post-merger integrations. Naturally, we also look closely at financial and ESG aspects. In Europe, Mr. Mills directly scrutinizes balance sheets and other data. To date, we have only acquired businesses that generate earnings. We have rejected some deals in other regions actually. We will accelerate growth by assessing regions, countries, and territories in which we should make acquisitions.

- Q: Do small and medium-sized businesses, mid-tier companies, and large corporations deliver different profitabilities in Office Services? Mightn't margins suffer if large corporations account for a greater proportion of your business owing to Scrum asset and global expansions?
- A: Margins are broadly comparable across our Japanese customer base, although mid-tier companies are a little more profitable. We do not plan at this point to deploy Scrum assets for large corporations. Management approaches determine the profitability of global deals. For large multinationals, we can secure profitability by focusing on Ricoh's specialty services rather undertaking an array of services. Large corporations are not necessarily less profitable.
- Q: What is the competitive environment like for digital services with growth potential? MFP manufacturers are probably doing similar things. IT vendors are also focusing on that field, so what makes Ricoh different?
- A: Our systems integration business in Japan has generated 245 billion yen in sales, mostly for small and medium-sized businesses and mid-tier companies. That is because we have transformed our structure over the years to become more customer-oriented. So while rival business equipment manufacturers might try the same approach it would take some time for them to catch up with us. Ricoh is the only player that can offer IT support from the scale of 6,300 customer engineers and with office equipment customer engineers able to support IT on such a scale. Most regular IT vendors cannot offer thorough sales and support nationwide to small and medium-sized businesses. In many cases, they become partners of Ricoh Japan. Only Ricoh Japan has the nationwide clout to serve small and medium-sized businesses with annual revenues of less than 10 billion yen. It is also worth noting that the Japanese government's digital transformation initiatives around the country should present growth opportunities.
- Q: I assume that your Office Services strategies and business development approaches differ across Japan, Europe, and the United States. Is it because of differing regional characteristics of customers and the particular resources at Ricoh's disposal?
- A: There are differences and commonalities across regional approaches. The features and needs of customers vary regionally, so we tailor our approaches accordingly. With package solutions for small and medium-sized businesses and mid-tier companies that have proven successful for Ricoh Japan, even if we don't international deploy the packages untouched, we are doing global roll-outs where we are able to make packages, promote sales, and leverage salespeople. We endeavor to streamline everything as much as possible, notably by deploying ideas and contents that seem commonly applicable for solutions in modules.

- Q: While you seem to have differentiated yourself sufficiently in Japan with Scrum packages, isn't the tack you seek to take in Europe and the United States hard to differentiate from that of other IT vendors? Is a Scrum package-style approach in those markets likely to work? If so, how long would it take?
- A: Our Work Together, Anywhere packages in Europe draw on what we learned from in Japan, and have delivered results. One point of comparison with other IT vendors in Europe and the United States is our coverage. In Europe, for example, we serve multinationals. For such customers, we can differentiate from local IT vendors by tapping Ricoh's network in Europe and the Americas. Also, large major global IT vendors do not principally target mid-tier companies and small and medium-sized businesses, so we believe that we can differentiate ourselves amply in that regard.
- Q: In the Office Services business, are there differences between Ricoh and other copier manufacturers in the Japanese market. Are all other companies necessarily competitors?
- A: We don't expect other copier manufacturers will compete with us at this stage in Office Services. Right now, it does not seem that other players are looking to match Ricoh's drive to reach customers across the nation or provide what we offer.
- Q: You explained that your worldwide customer base is 1.4 million companies. If you have 1 million domestic customers, does that mean the other 400,000 or so are overseas companies?
- A: We have contracts with 1.4 million companies worldwide. The number of business sites we serve is far larger.
- Q: Why has Europe lagged Japan in terms of leveraging Office Printing professionals in Office Services? Couldn't you change your setups in the United States or elsewhere to be like that in Japan?
- A: Ricoh Japan absorbed several IT subsidiaries, so in Japan we already had many Office Service experts. That gave Ricoh Japan the know-how it needed to cultivate Office Services people and swiftly deploy Office Printing personnel in the Office Services arena. Europe admittedly lags Japan, and we will keep striving to rapidly harness and cultivate human resources. The U.S. labor market is very fluid. That should help with hiring that complements internal human resources development efforts.
- Q: Does the chart on slide 16 of your Japanese Office Services presentation imply that you can offset shrinking non-hardware sales by expanding sales of MFPs connected to your Empowering Digital Workplaces platform? When do you think that will actually happen?
- A: We can't offer a solid timing, but we are well positioned for that eventuality.