

**Key Questions and Answers**

Q: I realize that the outlook for non- hardware sales is constantly changing, but could you remind us about your prospects for the fourth quarter? Given that progress with returns to offices was slower than expected in the third quarter, I'd like you to confirm whether you can reach your targets for the full year.

A: While there was a downturn in the third quarter, we confirmed that average document volume increased steadily in October and November, when infection levels were less intense. For fiscal 2021, we assume that after including a risk buffer non-hardware sales for the year will be 80% of the fiscal 2019 level. In the fourth quarter, we look for a 1 or 2 percentage point improvement from the 82% level of the third quarter.

The global situation is in constant flux, but we are seeing efforts to undertake tests and provide vaccines and oral medicines. Also, some quarters reckon that Omicron variant infection levels may be short-lived. Many customers are busy readying for the end of the fiscal year in February and March, so we wish to ensure solid production and sales levels during that time.

Q: It was hard to secure IT equipment and supply MFPs through the third quarter, but I get the impression that there is strong interest in a recovery toward fiscal year-end. How likely is that outcome? Can you fill us in on the backdrop, notably in terms of inquiry levels or whether products have already reached areas demanding them or dealers or in terms of the extent to which they are ready for delivery.

A: Hardware-related inventory increased by 36.2 billion yen at the end of December from the end of March 2021. That amount included higher inventories for sales, with about 5 billion yen in offshore inventories. Inventories have reached the level to which we can ship offerings to customers by truck or train.

We have already started to boost production and are arranging containers, aircraft, and trucks as needed. We are doing everything possible internally, although we have to rely on external parties for some hardware. In transporting goods, we prioritize top-selling and high-margin products, keeping earnings contributions in mind.

Q: From early this fiscal year, you started with a non-hardware risk buffer in your operating profit forecast of 50 billion yen. Ricoh thus seems to have been able to maintain its targets even though other companies lowered their forecasts in a weaker business climate. With non-hardware risks emerging, if hardware sales decline and trend below targets for the fourth quarter, are you able to make up for the shortfall in the remaining two months of this fiscal year, such as by undertaking additional structural reforms or deploying measures to bolster profitability?

A: We amassed considerable structural reform and recovery measures in the third quarter. This will fuel our business structure through year-end. Our outlook also includes asset sales and other additional measures to contribute to further earnings.

Q: I would like to ask about the key points in your full-year forecast for fiscal 2021 you explained. You say you will further control expenses and continually improve structural reforms beyond initial plans. Does that mean you may take steps in addition to those you have already announced?

A: There may be some additional details, although not for all measures.

Q: I would like to ask about the fiscal 2022 operating profit forecast under your mid-term

management plan. You face deteriorating demand, uncertainty about a recovery from the pandemic, and rising costs. These and other business climate downsides seem to outweigh the upsides this fiscal year. What balance do you envisage between upsides and downsides for next fiscal year's forecasts in view of your internal efforts and business climate changes? Even if current conditions are largely negative, I would like to know the extent to which you have firm ideas and plans to turn things around.

A: I can't comment on figures for next fiscal year at this stage, but we should have a good picture of where things stand by the time we hold our mid-term management plan briefing on March 3. I can say, however, that we have an order backlog and customers who have held off purchases for the past two years. We should experience a rebound, although spring might be a little early for that, if the pandemic situation and business climate improve.

Q: Can you detail why you are doing well in Graphic Communications?

A: Non-hardware sales are up, and we look for further growth if hardware revenues rise. Internal structural reforms have delivered solid results, driving a return to profitability.

Q: Can you share your thoughts on prospects for changes in the Office Services operating margin that you show on the bottom right of page 10 of your third-quarter results presentation? You explained that while you experienced PC and other hardware shortages in the third quarter you amassed subscriptions. Subscriptions boost margins, which I assume will fall as the hardware sales ratio rises. What's your outlook for the Office Services business next fiscal year?

A: The Office Services business experienced supply shortages. As we offer services with hardware, the third quarter was probably our toughest time this fiscal year. We target an operating margin of 8% next fiscal year. We look to lift the margin to double digits in fiscal 2025. To that end, we are making acquisitions to strengthen our in-house software lineup. In Japan, subscription revenues are increasing 10 billion yen annually and should fuel earnings in coming years.

Q: I think you previously announced that you would generate 8.4 billion yen in gains on asset sales. What was the approximate total for these gains in the third quarter? What is your projection for the fourth quarter, and what asset sale scale do you expect next fiscal year?

A: Net of one-time expenses, third-quarter gains on asset sales, etc. were around about 6 billion yen. It is hard to offer a specific fourth-quarter projection, as there are other parties involved. But we have made some estimates. We do not wish to comment on figures for next year at this juncture.

Q: At what stage did you decide against revising your guidance? You said that MFP supplies will improve significantly from February. Is that because you had previously assessed and prepared for the COVID-19 Omicron variant outbreak, including with respect to making shipping arrangements?

A: As of December, we implemented a range of improvements and looked to generate 50 billion yen in operating profit for this fiscal year. We were able to confirm the procurement progress for electronic components and materials at a supply chain management meeting in late December.

That said, the Omicron variant outbreak spread to Japan in third week of January. While average document volume was less than in December, in the process of closing accounts for the quarter we confirmed that structural reforms and recovery measures had been more beneficial than envisaged.

We were also able to confirm with manufacturers that we could look forward to procuring ICT-related supplies to an extent in February and March. Our calculations based on these and other factors prompted us to maintain our current forecasts.

Q: How likely are you to reach your annual Scrum package targets? Your progress seems to have been slow in the first through third quarters.

A: It will be somewhat challenging to reach our full-year target. This is because of shortages of ICT offerings that we offer as part of these packages. Even if procurement becomes possible in February and March, it will be difficult to make up for shortages in the last two months of this fiscal year.

Still, our Scrum packages and assets have proven very popular among small and medium-sized enterprises. About 20% of MFP customers have deployed Scrum offerings. We therefore believe that if we can boost unit sales if we can visit customers and submit proposals to them.