

Main Questions and Answers

Q: You lifted your operating profit forecast for the year ending March 31, 2019, from 80 billion yen, to 85 billion yen. But page 13 of your consolidated results presentation shows that after stripping out extraordinary factors you lowered your operating profit projection from 97.4 billion yen at the start of the term, to 88.2 billion yen. While your office printing and services businesses are doing well, they don't seem to be included. So, why the lower projection?

A: The amount in the materials that presents our earnings cloud after factoring transitional factors from our operating profit forecast shows a reduction of around 9 billion yen from our initially announced amount. That is because we have invested strategically in new product development and other areas to drive growth, as the structural reform outlook has become clear. The figure also reflects higher expenditure to enhance employee treatment, including through changes in our evaluation system. In our view, our earnings cloud has effectively improved since last year.

Q: What measures will you take to generate and improve earnings in heading toward your third year of structural reforms from this fiscal year through next year?

A: New products that we plan to announce from the second half of the year should enable us to double service productivity. Such process improvements should bear fruit from next fiscal year.

Q: What will the earnings model look like for the office and frontlines digitization business that you presented as part of Growth Strategy #2? Is the idea to undertake forward spending and generate earnings down the track?

A: Although, we cannot offer a clear-cut response for that at this moment. We can say that one option would be to use a forward investment-based subscription model in which we exceed the profit breakeven point once we have more than a certain number of customers.

(Q&A) FY2019/03 Q2 Financial Announcement

Q: You have talked about collaborating with IT partners. Once you digitize everything and paper disappears from workflows, won't Ricoh be superfluous? How will you build long-term relationships with partners to ensure that you remain an intermediary?

A: We don't think that Ricoh will lose its relevance if workflows become paperless. In the first place, we look to leverage our optical and other technologies in module devices for office and frontline digitization. On top of that, document digitization entails much more than simply eliminating paper, and involves building processes as part of bringing digital technology and paper together. For business processes, Ricoh Japan engages extensively with small and medium-sized businesses, and is cultivating operations with more than 100 partner firms.

Q: You generated 31 billion yen in savings from structural reforms in the first half of this fiscal year. What was the breakdown by business segment?

A: Most of the savings were from the office printing segment.

Q: The number of employees in Japan was down at the end of the second quarter. Is it correct to conclude that this was due largely to the removal from consolidation of Ricoh Logistics?

A: The reduction stemmed from removal from consolidation of Ricoh Logistics.

Q: Please explain the backdrop for the increase in "Other expenses" in chart presenting operating profit changes. For example, was there something new you undertook or did you bring something forward to push ahead with structural reforms?

A: We decided to enhance employee treatment by switching to a system that better evaluates them. Also, we decided to invest strategically in new product development and other areas to drive growth, as the structural reform outlook has become clear.

Q: Your sales of consumables have continued to decline. Will strong performances in office services help to boost consumables sales or will you take another approach to reverse the consumables decline.

A: We want to create a new running business base in office services. We plan to prepare and launch a range of office services from around the end of this fiscal year. We thereby seek to delight customers and deliver value and build a running business base that generates some earnings from supplies.

Q: Can we conclude that you will brake the downturn in consumables sales to an extent as a result of price declines by emphasizing prices in sales and expanding value with office services?

A: Yes, that is correct.

(Q&A) FY2019/03 Q2 Financial Announcement

Q: What are the potential growth rates of the office services, commercial printing, and other expanding businesses?

A: We believe that we still have room for further gains in office services. For example, we are assessing customer IT environments and establishing models in various countries, and are already presenting business improvement proposals to customers. And in commercial printing we will expand by switching completely to new products that will produce benefits for us.

Q: In office printing, will you continue to emphasize profitability or might you engage in price competition to secure machines in field numbers once profitability recovers to a certain extent?

A: We do not intend to return to price competition. We are undertaking a project to lower the cost of sales ratio from 61%, to 55%, for hardware and for maintenance services. Rather than engage in pursue price competition, we want to win competitively by generating profits from offerings sold at market prices by reducing costs.

Q: What sorts of India-related charges do you expect to incur this year?

A: The trustee is pushing ahead with the rehabilitation process, and at this stage amounts and their timing have yet to be decided.