

## Key Questions and Answers

- Q: Please provide details of the 10 billion yen risk factor you included in the sales and product mix for the fourth quarter in your forecasts for fiscal 2020 (see page 20 of Consolidated Results for Nine Months Ended December 31, 2020).
- A: For key regions and countries, we confirmed that MFP print volumes and office attendance rates fell to the June 2020 level in six countries or so in early January 2021. It will take some time for print volumes to recover. We thus assume that the non-hardware sales in the fourth quarter will be about three percentage points lower year on year than we projected when announcing second-quarter results. We included the 10 billion yen or so which represented as a risk.
- Q: What is your MFP non-hardware outlook for the fourth quarter and the medium to long terms? Might you change your assumption that demand will return to 90% of levels before the COVID-19 pandemic?
- A: For key regions and countries, we confirmed that print volumes in countries in which activity restrictions were relaxed returned to 90% or more of previous levels. In that sense, I don't think there's anything wrong with our view of going back to 90% in the so-called New Normal environment. We are considering a medium-term management plan that assumes that output will recover in fiscal 2021 from fiscal 2020 levels but will decline at a compound annual growth rate of 4% to 5% over the medium and long terms.
- Q: A new plant is now operational in China. What will you do with former Shenzhen production sites?
- A: We completed a shift from Shenzhen to Dongguan by the end of 2020. In Shenzhen, we are in the process of selecting a party to which to transfer usage rights to land we hold. We have yet to determine the timing, transfer amounts, and other details.
- Q: You explained that third-quarter operating profit significantly exceeded your internal target by 20 billion yen. What were the earnings trends by segment?
- A: When we announced our second-quarter results, we assumed that we would post a third-quarter operating loss around the same as in the second quarter (-9.3 billion). In fact, operating profit after excluding impairment losses was 11.2 billion yen, so the upswing was around 20 billion yen. Breakings this down, around 15 billion yen was from emergency response measures and about 3 billion yen was from boosting business profitability primarily in the Office Printing business.
- Q: In the third quarter, you booked an impairment loss of 10.4 billion yen in the Commercial Printing business. What was the nature of that loss? Might this affect earnings, such as by lowering depreciation expenses?
- A: We assess impairment losses for business, regional, and other cash-generating units. Most of the impairment losses for this quarter were for development assets. In the

commercial printing business, we regard production and development as a single unit. Under IFRS, we capitalize costs related to model development and amortize them over a certain period after starting mass production. Owing to the impact of COVID-19, we evaluated assets in view of postponements in anticipated Commercial Printing demand, leading to an impairment loss. Owing to the partial inclusion of impairment on depreciable assets, depreciation expenses on such assets will decrease slightly from the fourth quarter.

Q: What operating margin level do you anticipate for the Office Service business next fiscal year and beyond? The promotion costs for the current fiscal year are expected to be normalized in the next fiscal year and beyond. What level of operating margin do you aim at?

A: We have not incurred particularly significant sales promotion expenses for Office Services business in the first place. So, we have not lowered sales promotion spending other than that associated with sales activities. We will expand this business by cultivating and leveraging existing resources without greatly increasing fixed costs, so the key to moving forward will be to boost sales that are profitable. We will present specific targets in our new medium-term management plan. We look to attain an operating margin of 8% as soon as possible and then lift that target to 10%.

Q: You said that you look for GIGA school sales to rise in Japan in the fourth quarter. How will that affect your operating margin in Office Services? Can we expect the fourth-quarter operating margin to be around the same as the 6.9% you posted in the third quarter?

A: While we cannot provide specific figures, we can say that we do not expect the operating profit contributions of the GIGA school business to be very large at this juncture. Now the GIGA school concept centers on providing one personal computer per student. The unit price is below 100,000 yen, and the profit margin is not very high. Fielding this equipment in classrooms will give rise to a range of services needs, such as to construct networks, provide security support, and offer applications for classes. From next fiscal year, we aim to improve profitability by securing such auxiliary services.

Q: You said that there will be 19 billion yen in government subsidies for the current fiscal year. The question is what is the nature of these subsidies and which quarter did or will they impact on?

A: For example, when governments request that people work from home it pays support money upon applications for shutdowns when it is difficult to continuing operating. Approaches vary from country to country, and the applications are primarily in Europe and the United States. The accumulated support is around 19 billion yen. The projected breakdowns are about 5 billion yen in the third quarter and 2 to 3 billion yen in the fourth quarter.

Q: There are news reports on the tight container supplies. Is there any impact for Ricoh?

- A: Tight container supplies have affected deliveries because they have hampered unloading in American ports. Unit prices of containers have risen, driving up costs. Nonetheless, we believe that the impact on our fourth-quarter performance will be minor.
- Q: Transient expenses other than impairment losses are also increasing. Could you provide details?
- A: Please note that we are incurring these expenses in accelerating our transformation into a digital services company. As there are sensitive items among them, please let me refrain from commenting on them.
- Q: Progress with emergency and permanent measures (see page 22 of Consolidated Results for Nine Months Ended December 31, 2020) should deliver 17 billion yen in cost cuts in the fourth quarter, which would be less than the amount through the third quarter. Could the actual figure be higher?
- A: The accumulated impact to date is around 17 billion yen. As touched on in dealing with an earlier question, we assume that government support will be lower than in other quarters, although that could change depending on what happens. There are other variables to consider, so there could be an upward revision.
- Q: You target around 50 billion yen in operating profit in next fiscal year. What earnings changes do you expect by business segment? I would particularly like to know the envisioned earnings breakdown for Office Services and Office Printing.
- A: The main growth drivers will be benefits from operational excellence in the Office Printing business and Office Services business expansion. We will outline the envisaged earnings breakdown when we announce our new medium-term management plan.
- Q: Could a current semiconductor shortage affect the production of such Ricoh offerings as MFPs and cameras? Also, what steps are you taking to address that situation?
- A: We know there is a worldwide shortage of semiconductors because demand is surging for these devices in automobiles, appliances, and in 5G equipment. Other factors are server upgrades in data centers and demand for games and other things for those staying more at home. While our MFPs have fewer parts than automobiles the situation is affecting them. We are mulling ways to minimize cost hikes, to explore alternative parts and develop innovations.