

- Q: Fiscal 2025 is the final year of Ricoh's 21st Mid-Term Management Strategy. While your outlook falls short of targets under that initiative, I recognize that the operating climate is also challenging and that other companies face similar circumstances. Please tell us what you can about where your next strategic initiative will head. While you stated that a return on equity of 10% is just around the corner, it is hard to see how you will get there from the current forecast of 5%.
- A: Building recurring revenue is the key to improving profitability. Unlike Office Printing, Office Services lets us provide multiple services to single customers and set up recurring revenue contracts with them. By expanding service adoption and increasing revenue per customer through a range of offerings, we can surpass the Office Printing business peak and become even more profitable. As services become more important to our business and recurring revenue providing a stable earnings base continues to grow, our balance sheet structure will change, enabling us to adjust our capital structure.
- Accelerating recurring revenue growth through service businesses is critical to improving the numerator and denominator of ROE. We are committed to achieving a 10% ROE as quickly as possible to meet market expectations.
- Q: You have already undertaken a range of structural reforms and rationalization initiatives. Are there further opportunities for improvement? Are you considering additional measures other than business growth that could help boost earnings this or next fiscal year?
- A: We have already posted ¥7 billion in one-time expenses this fiscal year. This includes costs associated with accelerating production reforms and generating synergies at ETRIA faster than initially scheduled, with a view to cutting fixed costs from fiscal 2026.
- Then there is software, an asset-light offering with high gross margins that does not entail significant capital expenditures. We will reinforce our capabilities, including in-house development, procurement from other companies, and collaboration, to provide products that customers find useful.
- We also recognize that it is important to invest in talent. We will continue to provide training in Japan and abroad to strengthen the digital transformation literacy of employees marketing software solutions. While we aim to grow our business by providing the right software at the right time, this will take sustained effort. Consistent execution will drive results.
- While we are not considering additional Second Career Support Programs, we may have to undertake further structural reforms as we transition into a digital services company. We have begun exploring medium- to long-term measures that we might need to implement from next fiscal year and will announce them when the timing is right.
- Q: I would like to confirm your approach to your next strategic plan. Companies commonly make upfront growth investments in the first year of a medium-term business plan. Given Ricoh's commitment to proactive measures this fiscal year, can we anticipate ongoing earnings growth next fiscal year, when you embark on your new strategic plan?
- A: I don't think we'll adopt a strategy that entails heavy capital expenditure in the first year of that initiative and then recoup it over the remainder of the term. We want to deliver ongoing earnings growth next fiscal year as well.
- Q: In fiscal 2025, what segments do you expect will absorb one-time expenses and tariff impacts?
- A: Most of the ¥7 billion in one-time expenses relate to ETRIA, and we allocated them to RICOH Digital Products. These include post-merger integration expenses and spending from accelerating production reforms.
- We recorded ¥13 billion in tariff impacts under Eliminations and corporate. As the precise impact remains uncertain, we have not allocated that amount to individual business segments. The most affected segment is RICOH Digital Services, particularly its U.S. Office Printing business.

- Q: I believe Ricoh looks for the Corporate Value Improvement Project to generate around ¥32 billion in savings in fiscal 2025. How are you posting these savings to segment operating profit (see page 20 of Consolidated Results for the Year Ended March 31, 2025)?
- A: The sales and product mix includes around ¥16 billion. Since we project a ¥19 billion year-on-year increase in that mix, earnings gains from factors other than ¥16 billion savings under this project would be ¥3 billion. We anticipate growth in Office Services, but Office Printing earnings should continue declining.
- Expenses include around ¥15 billion in costs. As we expect a year-on-year reduction of ¥3 billion in this category, excluding the ¥15 billion in project-related gains, overall costs would climb ¥12 billion. That jump would reflect higher Commercial Printing R&D amortization expenses at RICOH Graphic Communications, development costs for AI and other technologies at RICOH Digital Services, and expense hikes from salary increases and inflation.
- Q: I would like to confirm project savings in your results for fiscal 2024. How are they recorded in terms of segment operating profit (see page 7 of Consolidated Results for the Year Ended March 31, 2025) and progress with each measure (see page 3 of Progress Report on Corporate Value Improvement Project and Efforts to Drive beyond FY2025)?
- A: In fiscal 2024, earnings factors included ¥9 billion from the Sales and product mix and ¥11.6 billion from Expenses. Savings from measures included ¥1.9 billion from optimizing R&D, ¥2.8 billion from establishing the ETRIA development and production joint venture as part of Office Printing business structural reforms, ¥1.6 billion from optimizing supply chain management, and ¥14.3 billion from optimizing sales and services structure.
- Q: For fiscal 2025, your Office Printing assumptions reflect a 2% rise in hardware sales and a 2% decline in non-hardware sales. While raising prices in response to tariffs could depress volumes, are there any factors in view of fiscal 2024 trends that might help improve your Office Printing performance? Also, what is your outlook for fiscal 2026 and beyond?
- A: Non-hardware sales in fiscal 2024 were down 4%, falling short of expectations. This was due primarily to intensified competitive pricing pressures, especially in dealer channels, that emerged in fiscal 2023. We have since managed machines in field more selectively, stepping back from low-margin accounts, pricing appropriately to retain high-value customers and expanding hardware sales. We are also leveraging our new, lower-cost A4 MFP models to secure mixed A3 and A4 deals overseas. These efforts should help us to restrict the non-hardware sales decline to 2% in fiscal 2025. We expect a downturn from fiscal 2026, although we are not disclosing specific figures at this stage. (Note: As clarification for this document to enhance disclosure, our hardware and non-hardware sales assumptions for fiscal 2025 do not reflect possible tariff impacts.)
- Q: Are any particular offerings performing well that should drive RICOH Digital Services growth in fiscal 2025? Also, what development capabilities will you focus on strengthening?
- A: In Japan, PC replacement demand should continue, so we anticipate IT and application services growth from adding further value through maintenance and software. Using partner products will also be significant, so development costs won't be a major factor in domestic IT services growth. We will continue to strengthen application services development. We will push forward with developing and improving proprietary DocuWare, natif.ai, Axon Ivy, and RICOH kintone plus software to meet customer needs.
- Also, while focusing on Japan we will continue to concentrate on large language models offering a range of AI uses.

- Q: In fiscal 2025, you plan to reduce R&D expenditures by ¥12 billion, to ¥83 billion. Where are you making the cuts?
- A: As we push ahead with business selection and concentration, we will focus R&D investments on the workplace domain, which offers significant growth potential. We are refining strategic priorities. In strengthening our business, we are shifting away from solely in-house development toward an open innovation approach. While this will lower our overall R&D spending, that does not mean that we will reduce investments in growth areas.
- Q: What quarterly or semiannual operating profit distribution do you anticipate for fiscal 2025?
- A: First-quarter operating profit should be slightly higher than in the previous corresponding period of fiscal 2024. We would normally expect earnings to be double those of last year, but we have factored in the impacts of tariffs, a stronger yen, and one-time charges.
For the year as a whole, we expect earnings to be heavier in the fourth quarter, as in earlier years.
- Q: Your shareholder returns graph seems to hint at share repurchases in fiscal 2025 (see page 22 of Consolidated Results for the Year Ended March 31, 2025). What should we conclude?
- A: There are various approaches to generating shareholder returns. We would like to increase dividends a little more if possible.
We are not announcing any share repurchase plans today. We remain committed to flexibly repurchasing shares in view of an optimal capital structure of ¥900 billion after excluding foreign currency translation adjustments, progress with ¥50 billion in growth investments planned for fiscal 2025, and earnings trends.
- Q: Are you seeing any changes in customer demand or in the stances of dealers in the United States in response to changes in U.S. tariff policies? If so, what measures are you already taking in view of such changes?
- A: Thus far, we have not seen tariff policies undermine demand in the United States. In January this year, we began considering that tariffs on exports to the United States could rise, so we make preparations accordingly. By the end of March, we had secured sufficient inventories through to the end of May. Our inventories at the end of March were thus slightly higher than usual, although additional tariffs did not affect sales in April.
Looking ahead, we are also adjusting prices. While not passing on the full amounts of additional tariffs, we are selectively adjusting product pricing in line with expected impacts.
Also, we can respond flexibly because we offer our own leasing services. For customers who wishing to renew their leases instead of replace their equipment immediately, we can offer extended leases at affordable rates. This helps them to keep costs down while enabling us to maintain stable lease-based revenue.
On top of that, MFP consolidation is already underway in the U.S. market, so we intend to focus more on Office Services.
- Q: I'd like you to confirm the impact of U.S. tariff policies. You said that countermeasures would offset ¥8 billion of the ¥21 billion in additional costs. What assumptions are you making for tax rates and specific mitigation efforts?
- A: Our estimates assume the additional tariff rates in effect as of May 12 will remain in effect throughout this fiscal year. Those are for a 30% tariff increase on exports from China and a 10% increase on exports from other countries.
We look to absorb tariff-related costs by increasing prices, reducing costs, and transferring production. We will consider passing on costs based on additional tariff rates for production locations.
For example, in Thailand we produce A3 MFPs for export to the United States, so the impact of

price increases will probably be limited. In contrast, for A4 MFPs we make in China we plan to pass on a greater portion of additional costs.

Higher prices will probably reduce sales volumes, which should lower logistics expenses and other associated costs.

On the production front, we look to shift production of certain A4 MFPs and peripheral products for A3 MFPs from China to facilities in Thailand and Malaysia. We were already mulling some relocation plans, and we aim to start implementing them in the second quarter.

Q: What's the regional production breakdown for the U.S market in Office Printing?

A: I can't disclose the breakdown by region, but I can say that we mainly produce A3 MFPs for the U.S. market in Thailand. At the same time, we make some A4 MFPs and paper feed units and finishers for A3 MFPs in China. We look to transfer production of some of these offerings to sites outside China.

Q: What's your assessment on the impact of tariffs on products that ETRIA manufactures and partner companies sell?

A: ETRIA manufactures some products for key partner Toshiba Tec in China and Malaysia, and they will probably face similar tariff impacts to those affecting products sold by the Ricoh Group.

Q: What's the impact of recent tariff policy changes on Ricoh? On May 12, the United States and China announced an agreement to lower some of the additional tariffs they imposed on each other. How has management viewed that development?

A: The recent agreement between the United States and China is a step in the right direction because it reflects a shared recognition that maintaining elevated tariff levels on both sides is unsustainable. That said, we cannot predict how things will unfold, and it's essential to respond flexibly to any changes. Rather than reacting after the fact, we aim to stay ahead of developments by acting proactively.

Q: You are devoting a lot of attention to the AI business, from development through services. How do you plan to cultivate that area?

A: We are not prioritizing proprietary AI development above everything else. Our approach is to select and deliver the most suitable solutions regardless of where they originate so customers can tap AI as they need. For example, as part of our overall approach we can help customers digitize information so AI can access it.

On the proprietary development front, the Ministry of Economy, Trade and Industry selected Ricoh for the Generative AI Accelerator Challenge project, which aims to strengthen Japan's capabilities in that field. We will keep focusing on developing multimodal large language models, an important area of expertise for us. Japanese companies tend to use complex text and documents, so few large language models overseas can process them properly. We will develop solutions to address that need.

Q: Tell us how Ricoh will leverage its elemental technologies in new fields to cultivate new businesses.

A: In transitioning into a digital services company, we are making our services businesses more important while continuing to develop core inkjet technology. We are exploring where we can apply this technology, such as by applying inkjet techniques to manufacture secondary batteries, which could significantly improve production efficiency.