

Key Questions and Answers

Q: Would you tell me more about the profitability of recycled products? Is there any scope for improving productivity with these offerings? What changes have there been with recycling technology? How have these products contributed to your financial performance?

A: Fiscal 2020 sales related to product and parts recycling businesses were 30 billion yen worldwide. We have engaged in these areas since 1994, during which time we have undertaken various approaches to enhance efficiency. For example, we established standards for incorporating recycling in new product design stages. We have revised our standards in line with technological progress. We have developed technologies to determine efficiently whether the quality of products we collect is acceptable for usage as recycled offerings. We are building a framework to predict when and how many used products will be collected to streamline manufacturing of this equipment.

Most customers for recycled products to date have been in the public sector, but demand seems to be rising in the private sector. We will accordingly endeavor to cater to changes in the customer base and needs.

Q: Please share some details of commercialization projects at the RICOH Eco Business Development Center.

A: This facility in Gotemba, Japan is undertaking several projects. One is to operate a model to tap thinned lumber to locally produce and consume wood biomass energy. Others are to research micro-hydropower, reuse automobile batteries, and develop plastics identification sensors. Based on these focuses, in 2020 we completed and launched a lighting and air conditioning control system that makes workplaces comfortable while conserving energy in Japan.

In collaboration with Ricoh Japan, the center started a consultation business to assist local government decarbonization efforts from the planning stage, such as for the Zero Carbon City concept of the Ministry of the Environment. We have already received several orders. We intend to broaden the scope of our proposals by drawing on the center's initiatives.

Q: You disclosed based on the TCFD framework that you generated around 900 billion yen in sales of products in fiscal 2020 that represented climate change opportunities. Can we correctly conclude that carbon dioxide emissions reductions from these products represent savings compared with using regular offerings?

A: As you observed, these 900 billion yen in sales were for contributions from reducing carbon dioxide emissions associated with electricity consumption from product use.

Q: Would you consider more transparently disclosing the connection between your climate change initiatives and management strategies, such as by setting medium- through long-term sales targets for products that contribute to decarbonization and presenting contributions to earnings from reaching targets?

A: It is important to show the connections between our endeavors to realize a zero-carbon society and our management strategies from medium- through long-term perspectives and enhance disclosure transparency. We will act on this. On the other hand, although climate change countermeasures and TCFD requirements mean we have to think ahead to 2030 through 2050, it is hard to present business prospects for that time range, however, and the ESG Committee considers this a challenge. We are endeavoring to disclose our business scale on an annual basis, although we would look into whether we can, for example, disclose information on a mid-term management plan basis.

Q: Your ESG targets include an Employee Engagement Score. What challenges do you face for reaching your fiscal 2022 target, and what steps do you plan to take?

A: As with other ESG targets, we have linked that score to executive remuneration. Each executive is pursuing improvements to reach targets. Employee engagement levels vary among organizational entities. They identify their particular issues and formulate measures to reach their targets.

Q: Ricoh's vision for 2036 is achieve Fulfillment through Work. Can you show the process through which you link your Employee Engagement Score to future financial targets, such as through greater productivity and the number of new products and services you develop?

A: Greater employee engagement should drive productivity and innovations over the long term. We would

consider presenting that process through case studies.

Today's presentation mentioned a survey about SDGs and ESG uptake among employees. This was in response to President Jake Yamashita's view that understanding the contributions of work to society would instill greater pride and work fulfillment among employees. Improving employee engagement entails not only creating comfortable work environments but also enabling people to understand the significance of their work and realize that they are helping to resolve social issues.

Q: You presented many examples of rising ESG requirements among customers. What demands are greater than others? Are there any issues that are becoming more requested? Also, what regional trends are there?

A: ESG requirements from customers are increasing, and it seems that we need to address more and more new ones. In the first half of this fiscal year, there were more inquiries about supply chain management. As with any company, supply chain management is challenging to fully comprehend. We are endeavoring to access the scale of risks through the ESG Promotion Division communicating directly with suppliers and sites rather than just evaluating documents.

There are many examples of requirements in Europe. Since early fiscal 2021, there have been more inquiries from customers in the United States and across Asia about responses than before.

Q: Other companies in your industry are likely also addressing ESG requirements from their customers. How can we confirm whether you have attained a competitive edge?

A: It isn't easy for anyone, ourselves included, to identify global business deal negotiation trends among other companies from an ESG compliance perspective.

It could be possible, for example, to measure differences in response systems by confirming the extent to which the ESG Promotion Division can manage and understand specific business deal negotiations and customer requests. Within Ricoh, there are many organizational barriers between the ESG Promotion Division at headquarters and salespeople who actually handle business negotiations. Communicating directly across these barriers is necessary to properly understand and promptly address customer ESG requirements. We think that follow-up structures vary among companies.

Q: Parts procurement is a challenge these days. You seem to be addressing this situation by purchasing from multiple vendors and procuring alternative parts. It is likely hard to find new suppliers in such a short period and confirm whether they comply with Ricoh's ESG standards. What difficulties are you facing and what are you doing about them?

A: Procuring parts is an issue as you noted, but the pandemic has not altered our ESG compliance and credit requirements for new suppliers. In view of growing social requirements regarding supply chain management, we consider it even more necessary than before to carefully screen new suppliers. We are collaborating with purchasing operations in that respect.

Q: You formulated the Ricoh Group Human Rights Policy. Does your approach under the policy vary by country or region?

A: While human rights stances among countries and regions vary, we formulated our policy based on international community norms, including the United Nations' Guiding Principles on Business and Human Rights. We adjusted wording according to country and regional situations.