

## Key Questions and Answers

Q: You target a renewable energy utilization ratio for power consumption of 40% by fiscal 2025. How do you assess progress toward that goal in view of current electricity price hikes and a slow uptake in Japan?

A: We have set 2030 and 2050 targets for that ratio, and are looking into possibly reaching them ahead of schedule.

Q: One of Ricoh's strengths is its solid position in the market for small and medium-sized businesses, for which labor shortages are a challenge. They particularly lack IT personnel. Are you considering ways to assist them in that regard?

A: We acknowledge that this is a major issue in Japan. We provide support by offering such solutions as Scrum packages and assets. We are also looking to post our people, particularly senior professionals, to assist by collaborating working with small and medium-sized business in various regions. We have started exploring needs in that respect.

Q: Are you undertaking talent development initiatives that incorporate generative AI or other new technologies?

A: We have used and researched generative AI for some time. We have a technical unit that constantly monitors advanced technology trends. We draw on that intelligence to create training curricula so people can acquire the required skills. We also run talent development programs in collaboration with the University of Tokyo, the Tokyo Institute of Technology, and other academic institutions.

We have spoken with the CEOs and chief digital information officers of various companies. They seem to be focusing on incorporating generative AI internally. Combining internally stored information with generative AI will streamline and simplify operations. Companies are exploring ways to adopt such technology. Ricoh is taking a similar approach. We rolled out our AI for Work service, which includes one-on-one consulting, to cater to the needs of such companies.

Q: You explained that you base assessments for director stock compensation on progress with the 16 companywide ESG targets that they achieve over three fiscal years. You state that the payout for achieving 12 of those goals is 80%. How did you arrive at that figure? And to what extent did you involve the Nomination Committee and Compensation Committee in formulating it?

A: The payout percentage for attaining 12 of the 16 ESG targets is 80%. The figures rise to 100% for reaching 14 or all 16 of the targets and 200% for attaining all 16 targets respectively. The payout for attaining fewer than 11 is zero.

The original proposal set targets for two globally applicable key performance indicators, notably the female-held managerial position ratio and the employee engagement score. The Nomination Committee and Compensation Committee suggested, however, that we position ESG targets as future financial goals and evaluate them based on progress in achieving all 16 targets. As the ESG head, that's what prompted me to arrive at the attainment payout approach that we adopted.

Q: You seem to have deployed several reskilling programs in Japan. What's your stance on costs and returns? I would appreciate insights for those conducting financial analysis, such as for during the 21st Mid-Term Management Strategy.

A: At this juncture, we don't maintain a cost ceiling based on returns. Reskilling programs can be in various forms, including for in-house programs and external applications. While we maintain budgetary controls, we have not set specific target indicators, such as for the extents to which we can lift per-capita training costs per person or increase sales.

Still, a prime objective of the 21st Mid-Term Management Strategy is to increase profitability per employee by 70%. We will get there not just by developing and training digital professionals but by also boosting productivity and reallocating people. We have established internal benchmarks for these elements.

We opened the Ricoh Digital Academy just under two years ago in Japan to develop domestic talent. As graduates settle in and contribute more prominently to progress, the program's value should become more evident. Once that happens, we should start to secure meaningful cost-effectiveness indicators.

Q: You identified self-motivated mindsets as one of your strategic themes for achieving your 21st Mid-Term Management Strategy objectives. Developing talent is clearly essential for corporate growth these days. How exactly do you foster self-motivation among employees?

A: We approach self motivation from work and career perspectives. For us, it is to make your own decisions and surpass expectations. The key is how to connect work approaches and career development, which lead to improving skills.

Work practices are a key aspect of self-directed work. I explained that Ricoh has deployed a hybrid work system worldwide. With the exception of production sites, we basically entrust individuals to decide how they want to work. We ask individuals and teams to choose their approaches, with the focus being on increasing productivity. In other words, we have granted tremendous discretion to choosing work approaches.

Through the Ricoh Digital Academy, we train employees in process digitalization to acquire basic skills in digital tools and use them. Process digitalization entails streamlining and redesigning individual tasks, including routine operations, with digital tools. By providing skills, tools, and information, we seek to convey our expectations and grant employees certain levels of discretion in what they do. This approach outlines what they can do, their aspirations, and what we want from them.

We believe that career self-direction clarifies what people want to do. It is vital to determine what they need to achieve their goals and identify the gaps between their existing and required skills in pursuing their career choices. Historically, reassignments were largely company-driven. In Japan, we mostly based job assignments on qualifications and emphasized a functional or role-centric approach.

We deployed the Ricoh-style job-based personnel system to greatly clarify requirements for each position through job descriptions and other components. Individuals can thus identify the gaps in their skills and develop strategies to address them. In discussions with supervisors, for example,

employees can work out how to draw on internal and external training to bridge these gaps and articulate their career goals, specify what they want to do, and set timelines. That framework is now firmly in place. We are deploying measures because we believe that career self-direction will become more prevalent as managers step up their support for employees.

Q: Might mandatory carbon footprint disclosure transform the competitive environment? Would disclosure alone make much difference? And would rivals use differing numbers?

A: Japan's Green Purchasing Law goes into effect in April next year. It will require carbon footprint disclosure. We don't think companies will compete based on carbon dioxide level disclosures. There is scope for making calculations more accurate and being better able to compare results among different companies.

That said, customers increasingly need to buy more eco-friendly products. So, while comparing companies directly may not be straightforward, we can easily envisage customers preferring offerings with lower eco impact numbers. So, companies will be likely to proactively implement initiatives aimed at reducing their carbon footprints, striving to achieve lower figures from previous benchmarks.

And while carbon emissions offsetting based on disclosed carbon footprints is currently optional, customers increasingly demand this. As offsetting is somewhat costly, companies will probably seek to calculate their carbon footprints with the lowest possible carbon dioxide emissions to minimize the need for those offsets.

Q: Criticism of carbon offsetting is rising in Europe. How do you plan to address that concern?

A: We aren't encountering that stance on carbon offsetting through our products and solutions. But as you know, it's crucial for companies to take the initiative to cut emissions as much as possible and ultimately offset them with high-quality credits. That's what global standards require, and we have committed as a business to tackling these challenges. We recognize that customers need product-level offsets, so we consider it essential to provide services using equally robust, high-quality credits in pushing forward.