

## Key Questions and Answers

Q: Have you retained your sales target of 2 trillion yen for next fiscal year?

A: It is basically unchanged.

Q: What is your elimination and corporate forecast for next fiscal year?

A: The target for this fiscal year is around 12 billion yen. At this stage, it should be around the same next fiscal year.

Q: I believe that you forecast gains of around 10 billion yen from asset sales for this fiscal year. Are you including that amount in your projection for next fiscal year?

A: Our forecast for next fiscal year assumes roughly the same transient earnings as in this term.

Q: What factors should contribute to Office Printing performance changes in fiscal 2022?

A: It is hard to only present Office Printing data because we have changed our segmentation. We look to present information when we announce our full-year results.

Q: Tell us about outcomes and challenges in terms of costs and personnel in your digital services and digital products businesses as a result of adopting a business unit structure.

A: We promptly organized and rolled out our business unit structure. I believe that we have accelerated our efforts from business perspectives. Implementation has been fast because we defined improvement issues and growth measures for each business.

With respect to our challenges, we are concerned about the possibility of employee entrenchment. We have accordingly defined key positions and identified a pool of prospective executives. The president and head of human resources can appoint these people. Management Committee members can also devote time to deliberating about candidates. I am tapping teleconferences effectively, making attendances at such gatherings a top priority wherever I am traveling. Adopting a business unit structure allowed me to devote considerable time to managing our portfolio and people.

Q: Will your business unit structure benefit you amid semiconductor shortages and parts price hikes?

A: It is a mixed bag in those respects. We once had the Global Purchasing Division, which determined pricing and supplier selection. RICOH Digital Products and RICOH Graphic Communications and other units have their own production and procurement departments, and that made collaboration across Ricoh a little loose. So, headquarters set up a small but flexible liaison capability. Semiconductor and materials shortages drove teamwork because everyone became aware that the whole of Ricoh, not just individual business units, must tackle these issues. In the absence of semiconductors and materials shortages, we could have suffered from production, purchasing, and development silos.

Q: What is your outlook for fiscal 2022 in terms of external factors and risk impacts?

A: We expect product shortages and cost hikes to continue through the first quarter. Parts shortages should improve from the second quarter, although ocean freight charges should remain high. We will overcome higher costs by raising prices, for which we seek customer understanding. Over two years in Office Printing and Commercial Printing, we have experienced shrinking demand in the first year and supply shortages in the second

that have hampered deliveries to customers. So, I think that demand has backed up and that we will enjoy swift recoveries, including in Office Services.

Q: I don't think the outlook for non-hardware risks has changed significantly at this juncture. Still, we are hearing talk about living with COVID-19, so might the assumptions for your forecasts change?

A: Each week, we keep close tabs on non-hardware developments in major countries. In Europe, and particularly in the United Kingdom, governments have formulated policies to completely lift pandemic restrictions. Non-hardware demand is now hovering at around 80% of the fiscal 2019 level, from 60% or 70% before. In view of current trends, we look for fiscal 2022 non-hardware and hardware demand to be 86% and 90%, respectively, of fiscal 2019 levels. The risks we assumed last year were because of unknowns. Trends for fiscal 2022 are becoming more clear, so we have removed risks from our calculations. We have upwardly revised our assumptions for non-hardware from last year, including with respect to delayed recoveries from the pandemic in fiscal 2021. We expect hardware purchasing demand to return in fiscal 2022. For thereafter, we have retained our assumption that sales would decline 4% to 5% annually.

Q: In aiming to become a digital services company, Ricoh has set digital services compatibility indicators that are very easy to understand. At the same time, what is the strategic significance of the Ricoh Group maintaining businesses that you have defined as having little compatibility with those services?

A: RICOH Digital Products supplies offerings RICOH Digital Services. While there is little compatibility with digital services, the MFPs handled are important digital services elements as edge devices on the RICOH Smart Integration. So, in that sense we believe that we should continue working strategically on that business.

Q: What is the competitive environment like, including with respect to Ricoh's competitive edge for digital services growth?

A: There are some competitive environment variations because customer bases differ from country to country. In Japan, Ricoh offers unparalleled nationwide coverage for small and medium-sized enterprises and mid-sized companies in everything from directly offering infrastructure to providing applications and workflows for businesses and sectors.

In Europe, most customers become international accounts when of a certain scale. There are major systems integrators for very large companies that can offer cross-border services. But there are few rivals serve for mid-sized companies, so we have a competitive advantage there.

In the United States, we provide managed document services for large customers at business sites. Few rivals can provide solutions by digitalizing information and tasks through professionals dispatched to customer sites.

In global coverage terms, we believe that we have a reasonable competitive edge, as we have sales offices in 45 nations and can provide a basically common IT infrastructure.

Q: Mightn't customers become very IT literate in two or three years such that they no longer need your services or support?

A: We believe that customer literacy will improve and expect that there will be some product commoditization. We will explore ways to lower the costs of providing offerings, such as by selling through e-commerce channels. Since the digital transformation technologies of our customers are themselves rapidly evolving, some technologies will naturally become obsolete and others will change. Unless we employ low-code development tools like those from Axon Ivy and deliver them to customers to assist them, we will find it hard to offer labor-intensive customer support. Fixed costs continue to increase in some respects, so Ricoh itself needs to shift to match customer needs.

Q: Ricoh was at a difficult juncture when you took the helm. The company seems to have entered a second crisis phase. Given major changes through digital services, if you don't structurally reform office printing now, mightn't 2 trillion yen in sales be insufficiently profitable? You spoke today of evolving your business model while incentivizing employees, such as to become digital service programmers. What benchmarks should we follow?

A: I actually see the second crisis as a new foundation for us because of the transformation of our business model. To overhaul our business model our employees will have to change. I have devoted considerable time over the past two years to speaking to employees about the need for all of them to enhance their skillsets and become certified digital professionals, regardless of whether or not they have to become programmers.

We are accordingly launching a digital academy to educate about customer solutions. We have accordingly revised our remuneration, human resources, and evaluation systems.

Rather than seeing our situation as a crisis, the fact is that we have to transform our business model. We have done our best to let employees know that it is time to formulate their goals and change. During roundtables with them, I answer their questions

Q: Systems integrators and other rivals are also likely doing their best to head in Ricoh's direction. How will Ricoh incentivize and execute action in this context? You certainly seem to be at a crossroads, and it would be great to see progress in this respect in coming years.

A: We have numerous partners, systems integrators included, who are in some respects senior partners in business transformations. We aim to move forward while learning from them. Down the track, we aim to present key performance indicators and outlooks for progress.

Q: You set aside 200 billion yen to Office Services of 500 billion yen earmarked for growth investments through acquisitions. How much of the 200 billion yen was for your Avantage, Pamafe, and Axon Ivy acquisitions. What were these levels with respect to your plans? Also, you seem to have become more confident about Commercial Printing, including in performance terms. Do you have any M&A or other discontinuous growth ideas in Commercial Printing as well?

A: Our investment scale to date may make it seem that we have made little progress, but I can reassure you that we are steadily exploring ideas. For commercial printing, we have

progressed considerable with activities to create new value with printing industry customers, such as for workflows. We see potential for investments in such areas.

Q: Are changes in the business climate making it easier or harder to make acquisitions?

A: We believe that both are true. Software acquisitions remain a high priority.

Q: Is it accurate to conclude that unless new virus variants emerge or geopolitical risks increase much beyond current levels your operating profit target for the year ending March 31, 2023, will not vary much from the initial number you present when announcing your full-year operating results?

A: We cannot make promises, but we expect that to be so. In Europe, people are returning to offices, and we look for returns to accelerate next fiscal year. We also expect demand for hardware to return following restraints.

Q: Page 37 of your presentation says that your 300 billion yen investment plan is unchanged and that you are considering projects of certain scales. Can we surmise that the scales of some deals differ from previous ones? Is it also correct to conclude that you are working on multiple deals?

A: That sounds about right.

Q: In the director reelection proposal you announced yesterday, you lifted the ratio of proposed outside directors from half to a majority of the board. What prompted that change, including with respect to retirements of current directors?

A: We have been interested from before in halving a majority of outside directors on our board. We have been going through a transition, such as by having a non-executive in-house director chair the Board of Directors. We are now establishing the desired board structure. Please note that I cannot offer personnel details at this juncture.

Q: With regard to RICOH Graphic Communications, I want to confirm whether the industry climate is increasingly conducive for the analog to digital shift or whether the change is resulting from progress with internal efforts under your mid-term plan. I also want to know about the competitive edge of RICOH Business Booster and how it will contribute to orders and sales expansion next fiscal year and beyond.

A: We believe there are two prime factors in growth. One is that digitalization of the industry as a whole has progressed as a result of the pandemic. The situation forced us to rethink how we do business and reconsider our mass production and consumption business model, as we discussed on page 26 of the presentation.

The other point to note is that we have worked with customers in the printing industry to rebuild new printing applications and business models through RICOH Business Booster and other products to stay close to customers. In fact, specific applications like on-demand books and high-mix, small-lot paper bags have been created. Printer brand owners have accepted these applications, with new printing businesses being developed.

RICOH Business Booster aims to deliver new print value enhancements with customers and brand owners beyond that. It is not simply a print workflow solution. We are making steady progress in creating new end-to-end businesses, from print data submission through management, processing, distribution, and even the measurement and analysis of print material effectiveness. We hope to share specifics down the track with you.