

Q: Your cumulative operating profit in the first nine months of fiscal 2024 was 34.5 billion yen. How close was that to management's forecast?

A: After excluding such one-time factors as costs related to the Corporate Value Improvement Project and the foreign exchange impact, it was slightly below forecast. This was because Office Printing non-hardware sales remained lower than expected.

Q: You targeted an operating profit of 130 billion yen for fiscal 2025. Are you retaining that target?

A: Yes. Around 60 billion of that would come from Corporate Value Improvement Project efforts to reduce expenses from the fiscal 2023 level. We need to generate the 70 billion yen balance through existing operations. We are accordingly reviewing our business plans for the next fiscal year. We will report on details, including those relating to the Corporate Value Improvement Project, at our full-year earnings briefing.

Q: When you announced your second-quarter results, you reported a confirmed Corporate Value Improvement Project gain of 52 billion yen. To what extent have you since progressed toward your 60 billion yen target?

A: While we have retained that target, we have nothing further to disclose since our announcement in the second quarter. We are continuing to internally assess the impacts of all of our measures.

Q: What factors apart from the Corporate Value Improvement Project will shape Ricoh's direction next fiscal year?

A: For a start, as a manufacturer we must naturally bolster our business structure by streamlining our variable and fixed costs, and we will continue down that path. These efforts are separate from those of the Corporate Value Improvement Project. We are also reviewing and deploying measures to expand Office Services in driving to become a digital services company.

For example, we believe that we have yet to fully yield synergies between acquired companies and Ricoh, so we have taken steps to enhance them, particularly in Europe. In North America, Cenero has increased deal numbers by offering solutions to our existing customers, but we have still to approach many customers, so we will endeavor to cultivate demand among them.

Also, supply chain management is vital because we purchase and sell many ICT products from other companies in our IT infrastructure and Workplace Experience businesses.

The Corporate Value Improvement Project encompasses supply chain management efforts, and we will optimize such management by negotiating purchasing costs and streamlining last-mile delivery.

Q: Your Office Printing non-hardware sales dropped 3% to 4% year-on-year and seem to have lagged those of rivals. In what respects were you weaker?

A: Non-hardware sales were particularly sluggish in the United States and in European markets as the United Kingdom, France, and Germany.

In the United States, large corporations account for much of the customer base. Changing work practices at those companies have prompted them to consolidate MFP installations, detracting from sales.

In Europe, competitors have undertaken pricing offensives since 2023, largely through their dealer channels. While we have taken steps to secure machine-in-field (MIF) levels among key dealers and customers, we have prioritized profitability instead of engaging in indiscriminate price competition, resulting in some MIF reductions. Also, adverse

economic conditions may be prompting some customers in Germany and France to lower printing costs.

We assume that Office Printing non-hardware sales will continue declining, so we will act to brake that fall while bolstering proposals for services that contribute to recurring revenue in Office Services. Such proposals include managed services for meeting room and other communication environments rooms and proposals for DocuWare and other in-house software.

Q: What is your outlook for Office Printing non-hardware sales beyond fiscal 2025? Will the current rate of decline continue, or might mitigation measures bear fruit?

A: In the absence of any measures, we assume under the 21st Mid-Term Management Strategy that the market would probably continue to shrink by 4% to 5%.

So, we aim to offset about half of the market contraction by controlling pricing, including by offering value-added proposals, and securing MIF levels. Also, we will keep reinforcing our business structure in Office Printing to enhance efficiency and limit earnings declines.

One particular priority will be to strengthen hardware sales and MIF management in order to secure MIF that generate high profitability. Beyond sales endeavors, we also consider it important to bring out offerings from ETRIA that delight customers.

Q: What regions and business segments are driving growth in Office Services recurring revenues?

A: The prime growth drivers are IT and application services.

In IT services, robust demand for PC replacements is fueling solid sales of PCs and servers. Maintenance contracts are contributing to recurring revenues. We are achieving double-digit growth even after excluding the impact of foreign exchange rates.

In application services, steadily increasing sales from DocuWare, natif.ai, RICOH kintone plus and other in-house software offerings are contributing to recurring revenues. Since margins from these offerings are higher than from software we purchase, we plan to continue prioritizing them.

Acquisitions are another key strategic element to expand Office Services. We maintain a long list of potential targets, and are constantly negotiating and evaluating promising transactions.

Q: In the third quarter, you booked 2.7 billion yen in eliminations and corporate operating profit, compared with an operating loss of 300 million yen a year earlier. Did that amount include a 9 billion yen income recognition related to an arbitration ruling? If so, why was the earnings turnaround so small?

A: While that income recognition contributed to higher eliminations and corporate earnings in the third quarter, there were also downside earnings factors. These included higher costs associated with the Second Career Support Program in Japan and higher unrealized earnings eliminations than a year earlier.

Q: What unrealized earnings changes should we expect in the fourth quarter?

A: In the third quarter, inventory levels rose ahead of year-end deal negotiations, increasing the unrealized earnings elimination. In the fourth quarter, we expect to reverse some of the eliminations as inventory levels decline.

Q: I would like to ask about Oki Electric Industry's participation in ETRIA. Does the operational start by the three companies from October 1 this year just mean office equipment business integration or does it imply you will undertake new initiatives?

A: Today's announcement confirms Oki has agreed to acquire a 5% stake in ETRIA and integrate its printing business from October 1. The next eight months will entail preparing for systems integration, employee arrangements, and other measures. While continuing to explore collaboration efforts among the three companies, we will undertake full-scale discussions after Oki officially joins ETRIA.

From October 1, we look to harness the technologies and business expertise of all three companies to bolster existing operations and create new businesses and products.

Q: What revenues do you envisage Oki will contribute?

A: Oki has disclosed that the revenues of the relevant business unit were 36.6 billion yen in fiscal 2023.

Q: How did you determine the investment ratios of Ricoh, Toshiba Tec, and Oki in ETRIA? Do you think Ricoh's profitability might decline in adding new assets?

A: We determined the ratio by calculating the enterprise value of ETRIA and the Oki unit taking part in this new venture based on the same process as when Toshiba Tec and Ricoh established ETRIA. Ricoh's profitability will not decline.

Q: How will ETRIA's operating rate (production levels relative to capacity) change after Oki's participation?

A: It is hard to present a specific operating rate because production capacity varies according to labor allocations. But we can say that there will not be surplus production capacity. This is reflected in increased revenues and earnings from normalizing RICOH Digital Products' production structure.

Oki's main plant is in Thailand, and we assume that operates at similar levels. Production will initially continue as before. We will adjust capacity as necessary as we integrate products and acquire new original equipment manufacturing customers.

Q: What scale or number of partners would make ETRIA sustainable?

A: In view of shrinking Office Printing and MFP markets, it will be challenging to significantly increase production. That said, we will endeavor to maintain and expand scale by making our products more attractive and lifting original equipment manufacturing supplies.

So, while we look for sales efforts from each brand to contribute to progress, the prime factor will be the attractiveness of ETRIA's products. Ricoh's strength is its high-quality printing with laser technology. Oki's LED technology enables product miniaturization. These factors should provide a competitive edge. We will explore what markets want and draw on the technologies and expertise of all three companies to deliver products efficiently and effectively.