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Q: During your previous earnings briefing on August 7, I believe you projected a second-quarter operating profit of just over ¥18 billion, with your third- and fourth-quarter numbers being just under ¥30 billion each. Can we conclude that the ¥22.8 billion you posted in the second quarter exceeded your forecast by around ¥4 billion? Also, have you updated your outlooks for the third and fourth quarters?

A: Our operating profit in the second quarter indeed exceeded our forecast by about ¥4 billion. Contributing factors included Office Printing hardware performing in line with expectations, continued growth in Office Services, and the deferral of certain one-time expenses to the second half. Another factor was the yen's depreciation relative to the assumed exchange rate.

We previously stated that we expect operating profit in the third and fourth quarters to exceed the level of operating profit in the same period of the previous year after excluding one-time factors. We have retained that outlook, projecting operating profit of ¥22 to 23 billion in the third quarter and approximately ¥30 billion in the fourth quarter.

That would bring full-year profit to exceed our initial ¥80 billion forecast. Even so, such factors as progress with business selection and concentration and the timing of one-time items could affect the outcome. We remain focused on achieving the ¥80 billion target.

Q: Regarding your initiatives for fiscal 2025, I believe that selection and concentration efforts under your Corporate Value Improvement Project have encompassed 10 businesses with a collective ¥180 billion in sales. Do you expect to complete those efforts during the second half or will they continue under your next mid-term management strategy?

A: During the second quarter, we sold our Managed IT Services business in the United States. While we are expanding the scope of selection and concentration beyond the initial 10 businesses, we do not intend to discontinue or divest all of them.

We will sell some and retain others under revised strategies. We have completed 4 divestments to date. While some business discontinuations may be deferred to next fiscal year or later, we intend to move forward as quickly as possible.

Q: While I understand each of the initiatives you outlined (see page 9 of Sustainably Enhancing Corporate Value ) , they don't offer specifics. What areas will you particularly prioritize?

A: We intend to strengthen the profitability of our Office Services business. We will speed up efforts to build high-margin recurring revenues and increase overall profitability. Until now, we have concentrated on earnings growth, but we will now enhance capital efficiency with the same resolve.

Q: What prompted you to sell your Managed IT Services business in the United States, and how has this affected your profit and loss statement? Also, when presenting your operating profit classifications for your fiscal 2025 outlook, you explained that you reclassified a gain from your Managed IT Services business from under sales and product mix to under a one-time factor. Did you incorporate this in your initial outlook?

A: The business generated about ¥15 billion in annual sales. We acquired it in 2014 and developed it steadily, but we decided it no longer fit our U.S. Office Services strategy, so we divested it.

We included a ¥7 billion gain on the sale in our initial forecast. At that time, we had not finalized the sale, so we initially recorded it under the sales and product mix. After completing the transaction, we reclassified the gain as a one-time factor. We are still reviewing certain related costs, and will report the final figures at the next earnings briefing.

Q: You lifted your downside full-year tariff impact forecast from ¥13 billion to ¥15 billion. Could you clarify how you reflected that change in segment operating profit?

A: We first estimated a ¥13 billion tariff impact and booked it under Eliminations and corporate. We revised that estimate to ¥15 billion and allocated ¥7.5 billion to RICOH Digital Services, assigned ¥6 billion to RICOH Graphic Communications, and distributed the remaining ¥1.5 billion across other segments, including RICOH Industrial Solutions.

Q: Could you tell us about your ETRIA initiative? Can we conclude that you will launch systems employing a common engine based on Ricoh's PxP toner that incorporates controllers from Toshiba Tec and Oki Electric? Do you have a timeline for the transition to these systems?

A: Oki Electric joined ETRIA in October, so we have focused development mainly with Toshiba Tec. We will accelerate collaboration and leverage Oki Electric's LED technology to create stronger synergies.

ETRIA plans to design a common engine from scratch and supply it to brand owners Ricoh, Toshiba Tec, and Oki Electric. It also aims to attract new original equipment manufacturing partners. Ricoh's PxP toner is a strong candidate, but ETRIA has not yet decided on the final setup. Instead of a wide variety of toner types, ETRIA will streamline its toner types.

ETRIA has not yet set the timing for the switch but aims to launch systems that generate synergies among partners as early as next fiscal year.

Q: You lowered your full-year sales assumptions for Office Printing. You now forecast that hardware sales will be flat, versus a previously projected 2% increase, and that non-hardware sales will decline 4%, compared with a 2% decrease previously expected. Overseas hardware sales were down 8% year on year in the second quarter, suggesting that recessionary pressures are emerging. Do you see further downside risks?

A: We cannot rule out further declines, but we do not expect a sharp deterioration beyond the second quarter. In Europe, our results already capture the effects of a sluggish economy. In the Americas, tariff impacts appeared in the second quarter and will continue through the third quarter and beyond. Still, as customers and sales partners align their approaches to tariff policies we do not foresee significant additional drops.

Q: The strong performance of RICOH Digital Products appears to have been a key factor in your first-half operating profit exceeding expectations. Has the significant year-on-year decline in Office Printing hardware sales at RICOH Digital Services in the second quarter had an impact?

A: RICOH Digital Products needed to accelerate production to an extent to prepare for tariff policy responses and facility transfers, and this contributed to strong first-half results. We cannot maintain the same production pace in the second half, so our second-half forecasts reflect some production adjustments. Also, some one-time expenses that we shifted to the second half are for RICOH Digital Products, and this will affect operating profit.

Q: Your operating profit comparisons for fiscal 2025 halved the downside foreign exchange impact to ¥5 billion. While that partly reflects revised foreign exchange assumptions, can we anticipate further upsides?

A: Our revision reflects results from the first half. We kept our second-half foreign exchange assumptions at ¥140 to the U.S. dollar and ¥155 to the euro. (Note: Full-year exchange rate assumptions based on first-half results were ¥143.04 to the U.S. dollar and ¥161.57 to the euro.)

While the yen's recent deterioration against the euro, which has a high foreign exchange rate sensitivity, could lift earnings, sensitivities vary across business segments, so actual results could diverge from estimates based on the sensitivities that we have presented.

Q: I would like to clarify the tariff impact. Can we conclude that the full-year forecast of ¥15 billion corresponds to a first-half impact of ¥4.4 billion? Does this figure include only cost increases from tariff rate changes or does it also reflect countermeasures?

A: It includes both higher net tariff costs and the results of such countermeasures as price transfers, along with lower unit sales.

Tariff costs rose ¥5.7 billion in the first half. While countermeasures like price transfers offset ¥3 billion, lower unit sales and other factors produced a net downside impact of ¥4.4 billion.

Q: Tell us about your price transfers in response to tariff policies. In your previous earnings briefing, you mentioned that you would not raise prices indiscriminately. Could you share your current stance in view of market reactions and competitor moves?

A: We expect tariff costs to increase around ¥15 billion in fiscal 2025. We plan recover about half of that amount through price transfers, although some of the impact will carry into next fiscal year. Given the competitive environment, we will adjust prices for hardware and consumables to levels that customers accept.