Q: Your operating profit in the first quarter of fiscal 2026 was in line with expectations after excluding one-time factors and other items. How do you think you performed?

A: While Digital Products and Graphic Communications exceeded expectations, Workplace Services was slightly less profitable than we anticipated. We are revising and augmenting measures that we monitor through our ROIC tree.

Q: What are your quarterly operating profit projections for the second quarter and beyond? Have you changed your initial forecasts in any way?

A: We initially targeted a first-quarter operating profit of around ¥17 billion, or basically on par with our performance a year earlier, after excluding one-time factors. We projected earnings of around ¥30 billion after including a Chinese subsidiary transfer gain and structural reform expenses.
We based our assumptions for the other three quarters on the previous year's operating profit after excluding one-time factors and then took risks and expenses into account. This yielded projections of about ¥18 billion for the second quarter and around ¥24 billion each for the third and fourth quarters. This outlook has not changed. We retained our full-year forecast of ¥95 billion because we still need to assess the impact of semiconductor memory costs and developments in the Middle East. We will keep assessing the situation and consider revising our forecast in the second or third quarters if necessary.

Q: Foreign exchange factors added ¥5.5 billion to your first-quarter operating profit. Can we anticipate four times that amount for the full year?

A: The yen weakened further from the second quarter of the previous fiscal year. We therefore can't just multiply the first-quarter contribution by four even if exchange rates remain at the first quarter's levels.

Q: You disclosed gross profit from recurring businesses. Are you using the same definition as for the recurring profit growth target of Mid-Term Strategy '26?

A: Yes.

Q: You posted ¥5.2 billion in structural reform and other charges. What did they cover?

A: Digital Products booked around ¥2 billion in ETRIA-related production reform expenses, which included costs associated with reorganizing toner production sites in Europe. Graphic Communications also reviewed items that it expected to capitalize among development investments but subsequently recognized some as expenses.

Q: You described your first-quarter Workplace Services performance as somewhat weak. The challenging investment climate affects the broader market, not just Ricoh. What measures are you considering to bring performance back onto the trajectory you expect from the second quarter onward?

A: In Japan, PC replacement demand dropped off, but IT Services and Application Services continue to deliver double-digit revenue growth. We will capture demand for security solutions and opportunities arising from legal changes, including revisions to long-term care reimbursement rates. We will also step up proposals to key customers with cross-selling potential across multiple recurring revenue contracts.

In Europe, we need to generate more synergies with acquired companies across Workplace Experience, IT Services, and Application Services (including software). We will expand services to existing customers and improve sales efficiency. We are also approaching customers that have not previously bought Office Printing offerings from us, providing both Office Printing and Workplace Services. Acquisition synergies are already helping us secure major deals with large customers. We will extend this approach beyond Europe to Global Major Accounts.

In the Americas, we are improving profitability in large Business Process Services through AI and digital transformation. This trend should continue. We will tap acquired companies to drive Workplace Experience growth. We will extend our capabilities beyond the Americas through Global Major Accounts.

We project ¥50 billion in full-year operating profit for Workplace Services, generating much of that amount from the third quarter.

Q: What mechanism will drive Workplace Services operating profit from the third quarter? How will non-recurring earnings change?

A: Workplace Services has historically generated more earnings in the second half.
Sales of IT infrastructure and other hardware and one-time services tend to concentrate in the second half. Recurring revenue also rises each quarter as we accumulate contracts.

Q: Tell us about the Office Printing market climate. Is demand weaker than you expected, or is it in line with expectations in a more competitive environment?

A: Demand is somewhat challenging. A consolidation in A3 MFPs is progressing in the Americas, particularly in North America. Investment appetites remain weak in some areas of Europe. Latin American demand is rising, and a slump in APAC seems to be starting to stabilize.

We are endeavoring to strengthen machine-in-field management and dealer channels in priority markets. We saw positive outcomes in the first quarter and do not believe we are underperforming the market.

Q: You posted ¥12.2 billion in gains related to U.S. tariff refunds. How much were the refunds, and what levels do you project for the full year?

A: Refunds totaled around ¥15 billion. Related expenses reduced net gains to ¥12.2 billion.
We anticipate another ¥1 billion to ¥2 billion in refunds from the second quarter.

Q: What were the breakdowns by segment for the ¥12.2 billion in gains on U.S. tariff refunds?

A: They were about ¥9.0 billion for Digital Products, ¥2.5 billion for Graphic Communications, and ¥0.5 billion for Other, including Cameras.

Q: You maintained your full-year forecast despite U.S. tariff refunds and cited additional measures to manage Office Printing machine-in-field levels. What exactly will those measures entail?

A: We've worked on these measures for some time, including reinforcing dealer channels. We assess target markets and customers, competitive conditions, sales channels, and the right promotional activities. We use our analysis to acquire new machines in field and protect our installed base.

We do not simply aim to sell more hardware. We are engineering a business model that also generates Office Printing non-hardware revenue and recurring Workplace Services revenue.

Target markets include the United States and priority areas in Europe and APAC.
Our initiatives will require additional spending. We may invest more than we initially planned.

Costs will come first. We will then offer Workplace Services to customers we acquire and build recurring revenue to generate earnings over time.

Q: How has your estimate of higher semiconductor memory costs changed? You initially assumed an impact of ¥20 billion.

A: We use several types of semiconductor memory, and cost hikes vary by type. The total annual cost increase could reach around ¥35 billion, and the net impact after recovery measures could grow to around ¥10 billion.

We are lifting prices to reflect higher costs, but our ability to do so varies by business. In Embedded Computing, for example, we can pass through almost all increases. We have less pricing flexibility in Office Printing and Commercial Printing. Procurement, development, and production teams are also working to mitigate impacts.

Q: Please update us on semiconductor memory procurement. Are you relying largely on spot contracts?

A: We have not completed contracts for all of our annual requirements. We anticipate reasonable visibility by fall. We are applying lessons from the COVID-19 pandemic by using more general-purpose components and broadening our supplier base. These measures will help us secure the volumes we need.

Contract terms vary by supplier. We can secure stability through longer-term contracts at appropriate prices with established partners. We generally start new supplier relationships with spot contracts and assess performance before expanding relationships.

Q: Update us on the cost and supply chain impacts of developments in the Middle East.

A: We initially assumed an impact of around ¥3 billion from higher crude oil prices on petroleum-based materials and ocean freight. The outlook remains uncertain. We are striving to mitigate the impact, and are retaining our estimate of around ¥3 billion.

Q: I recognize that the outlook remains uncertain, but when do you think semiconductor memory market conditions and developments in the Middle East might stabilize?

A: We do not expect conditions to return to the previous year’s levels during fiscal 2026. Semiconductor memory supply remains particularly tight. AI demand continues to grow and creates significant volatility. We are operating on the assumption that prices will keep climbing, though not at the current pace.

Q: Cost pressures and component procurement challenges are making the Office Printing market more volatile and difficult. Has this situation made your ETRIA initiative more valuable?

A: Our work with ETRIA is progressing smoothly. We cannot comment at this time on developments involving other companies.

Q: You outlined a three-step parallel engine development plan during your full-year results briefing as part of ETRIA’s synergy initiatives. Can you provide any more specifics on that initiative?

A: We have no new progress that we can disclose beyond what we shared in the briefing and other communications.

We are commercializing an engine that combines the strongest modules and technologies from partner companies. We plan to launch it during this fiscal year. We aim to launch a new engine developed from scratch during fiscal 2027.