Q: You said that operating profit after excluding Corporate Value Improvement project expenses in the first quarter was in line with your forecasts. But I got the impression that earnings tracked lower than progress toward your full-year forecast of 80 billion yen (after excluding those expenses). Tell us about your operating profit targets after excluding project expenses for the second quarter and beyond.

A: After including project spending, we look to post around 13 billion yen in operating profit in the second quarter and around 25 billion yen in the third and fourth quarters (based on our planned rate), or around the same as in the previous corresponding periods last fiscal year. First-quarter project expenses should be 3.9 billion yen against the full-year forecast of 10 billion yen that we disclosed. We would spend much of the balance in the second quarter. At the same time, we expect to deliver project savings of 14 billion yen primarily in the second half.

While as expected, first-quarter operating profit was unsatisfactory. Prolonged ocean freight lead times hampered deliveries of Office Printing hardware. We will strive to make up for lost ground from the second quarter.

Q: I assume that you might add around 20 billion yen in project costs down the track. Have you made any particular changes in cost assumptions and other factors based on project progress?

A: We have previously explained that in view of previous structural reform examples we must assume a cost scale of around half of the assumed savings of more than 60 billion yen. We could still incur reasonable additional costs during this fiscal year. We would like to discuss details at the right time after completing the necessary procedures.

Q: I would like to know about the competitive environment in Office Printing and MFPs. I have heard that other companies are replacing their MFPs and those of other companies in the field because MFP replacement cycles are stretching out. Has Ricoh confirmed such a trend? I would also like to know if you have any new stances on the medium-term growth potential of the Office Printing market.

A: We are aware that some competitors have adopted aggressive measures with MFP sales and are launching price offensives. Since last fiscal year, we have maintained a disciplined approach to taking countermeasures against necessary customers and distributors, confirming the outcomes of these measures. That said, we are not stumbling in the dark with our price actions, and have lost some MIFs and dealers to date. We think this has been one factor in weak non-hardware numbers in the first quarter.

We assume that other companies will deploy a range of sales strategies, such as by further expanding color machine sales and positioning A4 MFPs as strategic products.
We remain committed to deploying value-added proposals and sales by integrating competitive A3 MFPs and other edge devices with Office Services. We will keep cutting costs by bolstering our Office Printing operations, and look forward to ETRIA's contributions to enhancing the market appeal of our hardware.

Q: After factoring out forex, Office Printing non-hardware sales were down 3% in the first quarter against a full-year projection of a 1% decrease. You explained that there was a downward swing in the United States. Have you adjusted your full-year accordingly?

A: Office Printing non-hardware sales were lower than we anticipated in some regions in the first quarter. We will address this by taking steps to secure non-hardware volumes, including by expanding our networks of key dealers and machines in field. At the same time, we will avoid price competition and reinforce pricing controls by offering high-value-added proposals that integrate edge devices and Office Services. We recognize, however, that it may be impossible in some cases to turn things around during this fiscal year. To compensate, we will focus on growth and other measures in Office Services.

Q: Has declining output volume in key customer segments in the United States been an industry-wide trend?

A: We believe we are not alone in experiencing output volume declines, particularly among major customers. In the U.S. market, we focus heavily on major customer segments, making us more susceptible to these trends.

Q: The yen has recently appreciated significantly. Do you foresee any associated risks? Ricoh and other MFP players have benefited from a weak yen. A stronger currency could hamper their performance and transform the industry climate.

A: For this fiscal year, we projected 145 yen to the dollar and 155 yen to the euro. These currencies are currently trading within our forecasts, so significant negative impacts are unlikely at this juncture. Still, we must acknowledge that exchange rates continue to prop up our performance, and that support will eventually end.
The impact of dollar fluctuations on our earnings is not significant because we use the dollar for procurement, which provides offsets. If the yen's appreciation stabilizes, we expect lower procurement costs to lower some of our expenses.
Our performance is highly sensitive to euro fluctuations, so a significant drop below the planned rate would pose risks.
We do not comment on trends at other companies. Exchange rate fluctuations could affect some companies more than us, and they might deploy recovery measures that shape the competitive environment in the Office Printing market.

Q: You mentioned that business conditions have affected Ricoh, particularly in Europe and the United States. How do you view the risks to business performance?
A: U.S. non-hardware demand is weakening, but we attribute this partly to the consolidation of hardware units at major companies, which constitute a significant portion of our customer base. Despite this, current hardware orders remain strong, so we are not concerned about a downturn in business conditions.
In Europe, first-quarter revenue growth appeared somewhat modest due to a change we adopted in the third quarter of last fiscal year regarding our accounting revenue recognition method for business equivalent to agency transactions. While deteriorating business conditions have affected us somewhat since last fiscal year, we do not believe that the impact has recently become more significant.

Q: Your progress report on the Corporate Value Improvement Project presents projected outcomes from ETRIA of savings of more than 4 billion yen and one-time costs of 2 billion yen. I would like to know what you are doing to generate those savings.
A： First, sales and earnings from Toshiba Tec would increase. While only just established, ETRIA will focus in short term on cutting costs through common purchasing. Toward the end of this fiscal year, it will look to slightly modify products that Ricoh and Toshiba TEC originally developed and sell them under those two brands. Since Toshiba TEC follows Japanese accounting standards, it has already amortized development assets for some products. ETRIA should contribute to our earnings by minimizing additional development costs and leveraging the Ricoh channel for sales.

Q: ETRIA started out as a joint venture between Ricoh and Toshiba Tec. I assume that it will take time to optimize its structure. What roadmap do you envision for that transition?
A: In view of efforts to strengthen our original equipment manufacturer business, we deem it necessary to boost the capacity utilization rate of ETRIA's production facilities. At this juncture, we do not look to optimize by downsizing personnel or facilities.
That said, the MFP market is maturing, so RICOH Digital Products is considering optimizing its production facilities. It plans to shut down one site in China that ETRIA does not oversee, transferring production to other sites during this fiscal year.

Q: In your project progress report, you noted that to save more than 60 billion yen you will need to generate cuts of about 20 billion yen in addition to amounts already stated. Can I conclude that the prime focus for generating additional savings will be reviewing the sales and service structure in accelerating Office Service profit growth? Also, with respect to accelerating business selection and concentration, are savings increases unlikely beyond what you currently indicate?
A: We aim to build on the savings from each of the disclosed measures and deliver additional benefits through new initiatives.
Among them, sales and service structure reviews should yield significant additional savings while also entailing significant costs.
Accelerating business selection and concentration necessitates coordinating with customers,

partners, employees, and other stakeholders. So, we cannot execute measures or expect additional savings based solely on our circumstances. We are committed to completing the project by fiscal 2025, and the savings we currently envisage would be just over 2 billion yen.