

Policies and Interim Performance

1. Policies

Ricoh's operating environment is changing dramatically. Japan is deflationary and the global economy unstable. We are witnessing the emergence of an advanced information society, the rapid development of digital networks, diversified values, and intensified competition. Ricoh has reformed by swiftly launching products and services that match customer needs under a management philosophy of constantly creating and providing customer value. The Company draws on its slogan of Image Communication to develop digitally networked environments. Office users want to enhance productivity by fostering creativity through image information. Ricoh therefore provides an integrated office information processing environment. And as functions become integrated, we face more competition. We are responding to this challenge with a management vision designed to make Ricoh a winner in the 21st century by constantly building value and winning the trust of our customers and the communities in which we operate.

Our 13th medium-term management plan, a three-year effort started in April 1999, tackles the following areas for the entire Ricoh Group.

(1) Renovation of group management with the aim of increasing corporate value

We mean value from the perspectives of our customers, shareholders, and employees. We are enhancing customer value by pursuing customer satisfaction initiatives. By so doing, we will also become more valuable for our shareholders and as a corporation. To that end, we are statistically measuring management performance while taking steps to energize our employees and organization.

(2) Reform business and profitability structure, and strengthening of technology with the aim of maintaining steady growth

To overhaul our business and profit structure, we are bolstering our core imaging businesses while allocating resources to such growth areas as the printer and solutions businesses. We are cultivating core technologies in these new areas to meaningfully support structural reforms.

(3) Reinforcement of cash flow management and realization of low cost business structure

We are aggressively maximizing Group cash flow while cutting overall.

A first specific step is to build a supply chain that improves customer satisfaction and reinforces our dominant market position. We will thus restructure our information systems to slash lead times between procurement and production to the marketplace while cutting inventory.

Second, we will overhaul the development process. We will cut development cycles and costs by creating products in series and groups. We will take this road with new digital products, printers, multifunctional equipment, and software. Our third challenge is to review and revamp low-profitability businesses and their strategies.

Environmental protection and community involvement are key priorities of Ricoh. For us, protecting the environment is our integral part of our business activities. To achieve this, we are promoting a variety of conservation activities. And as good corporate citizens, we believe in transparency, and full community participation. We have also done much in this regard.

Finally, our basic profit distribution policy is to ensure consistent dividends by increasing profitability while solidifying internal reserves to strengthen our financial position and pursue medium- and long-term business opportunities.

2. Performance

1) First Half of Fiscal 2000

Consolidated Results

Consolidated net sales climbed 1.3%, to ¥717.5 billion.

In copiers and related supplies, sales of fast digital and digital color models rose in line with the changing office environment and growing demand for color capabilities. The new IMAGIO Color 2800 and 4000 series contributed significantly to our performance. A poor domestic operating environment outshaded a solid performance in Europe and the United States. As a result, sales in this business category dipped 1.5% from the previous corresponding period, to ¥449.8 billion.

In communications and information systems, Ricoh responded to rising demand for networkable printers by launching the IPSiO Color 2000 and the IPSiO NX 600 and 700 series. Sales of both monochrome

and color models expanded significantly. Demand was especially high for color offerings. At the same time, the Company bolstered its capabilities in the solutions business, which aims to bolster customer productivity. As a result of these factors, category sales jumped 12.5%, to ¥177.7 billion.

Operating income soared 41.1%, to ¥44.0 billion, on the strength of the net sales gain, more efficient plant operations and lower manufacturing costs afforded by new products, and lower business costs. Net income for the term rocketed 68.0%, to ¥20.4 billion.

Nonconsolidated Results

Nonconsolidated net sales climbed 7.3%, to ¥381.0 billion, owing to higher exports. Operating income gained 44.9%, to ¥30.0 billion, because of the same factors that contributed to the consolidated gain. Ordinary profit was up 22.7%, to ¥24.0 billion. Net income thus surged 55.5%, to ¥14.0 billion.

Ricoh set interim cash dividends at ¥5.50 per share, to be paid from December 10.

2) Full-Term Outlook

The operating environment should remain severe throughout the rest of fiscal 2000. Nonetheless, we target improved revenues and earnings in both consolidated and nonconsolidated bases. We will achieve these goals by expanding sales of multifunctional digital monochrome and color copiers and printers. We will continue to boost plant operating rates and efficiency while cutting groupwide costs. These efforts should offset losses stemming from the higher yen.

Our full-year projections are as follows:

1. Consolidated	Net sales	¥1,455.0 billion	+ 2.0%
	Operating income	¥87.0 billion	+18.3%
	Income before income taxes, minority interests and equity in earnings of affiliates	¥69.0 billion	+30.1%
	Net income	¥41.0 billion	+33.8%

2. Nonconsolidated	Net sales	¥760.0 billion	+ 5.5%
	Operating income	¥57.0 billion	+33.1%
	Ordinary income	¥49.0 billion	+36.0%
	Net income	¥28.5 billion	+50.2%

These projections assume the following foreign exchange rates:

		Consolidated	Nonconsolidated
First half	Average U.S. dollar rate	¥117.23	¥118.29
	Average euro rate	¥123.43	¥123.43
Full year	Average U.S. dollar rate	¥113.62	¥114.07
	Average euro rate	¥119.72	¥119.67