

Results.

Another Solid Performance

Ricoh registered another stellar performance in fiscal 2000, ended March 31, 2000. We reaped the rich rewards of our ongoing customer satisfaction drive to become much more profitable in an intensely competitive international marketplace. We boosted revenues and earnings for the sixth and eighth years running, respectively, and strengthened our cash flow.

More profitable operations

Net sales increased 1.5%, to ¥1,447.2 billion (\$14,050 million). This was primarily because of the very solid performance of our digital multifunctional systems and the massive popularity of our printer range in Japan. Our emerging printing and document solutions businesses also made steady market inroads.

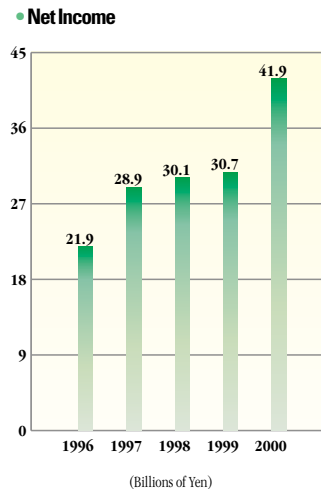
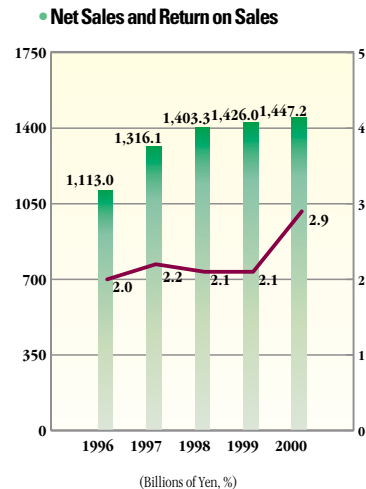
Domestic sales climbed 6.4%, to ¥873.2 billion (\$8,477 million). Overseas sales declined 5.1%, to ¥574.0 billion (\$5,573 million). But this has to be viewed in the context of the yen's average 13% appreciation against the U.S. dollar during the term. Overseas growth was actually very solid in local-currency terms, particularly in Europe and the United States. The Aficio brand of digital imaging systems continued gathering steam internationally.

While generally pleasing, the revenue gains paled against our massive bottom-line improvements. Our multifunctional digital copiers and printers were both



Hiroshi Hamada (right), Chairman and Chief Executive Officer, and Masamitsu Sakurai, President and Chief Operating Officer

very popular and delivered high margins. At the other end of the spectrum, we continued to trim overall expenses and otherwise enhance our financial position by forging ahead with our Group Cash & Cost (G-C&C) strategy. The result? Operating income surged 20.9%, to ¥88.9 billion (\$863 million), and net income rocketed 36.8%, to ¥41.9 billion (\$407 million).



Basic net income per share was ¥60.61 (\$0.59), and fully diluted net income per share was ¥56.06 (\$0.54).

Return on shareholders' investment jumped from 6.4% to 8.1%.

We maintained cash dividends per share of common stock at ¥11.00 (\$0.11). At the annual general meeting of shareholders on June 29, 2000, shareholders approved our decision to translate retained earnings into more solid operational and financial fundamentals. Some of these are described below.

A better financial position

G-C&C initiatives translated into significantly leaner balance sheets. At the end of fiscal 2000, total assets were ¥1,543.3 billion (\$14,984 million), down 5.2% from a year earlier. This was mainly because we slashed inventories and other current assets, as well as some fixed assets. As a result, return on assets soared from 1.9% to 2.7%. Total liabilities plunged 13.4%, to ¥955.5 billion (\$9,276 million). Reductions in short- and long-term debt and in retirement allowances contributed to this fall.

Shareholders' investment was up 11.1%, to ¥541.5 billion (\$5,257 million), although this mainly stemmed from additions to retained earnings.

Healthier liquidity

We continued to improve our cash flow mix in fiscal 2000. At year-end, net cash provided by operating activities stood at ¥135.6 billion (\$1,317 million), up 27.1% from the close of fiscal 1999. This reflected our higher net income and more efficient asset management.

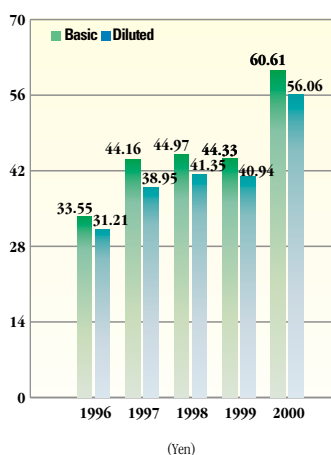
Net cash used in investing activities was ¥28.5 billion (\$277 million), a 68.1% decline stemming from a massive decrease in cash deposits for the assignment of debt securities. We allocated most of this cash to expenditures for plant and equipment.

The free cash flow generated by operating and investing activities totaled ¥107.2 billion (\$1,040 million), a sixfold increase. This allowed us to reimburse corporate bonds and debts and maintain dividends.

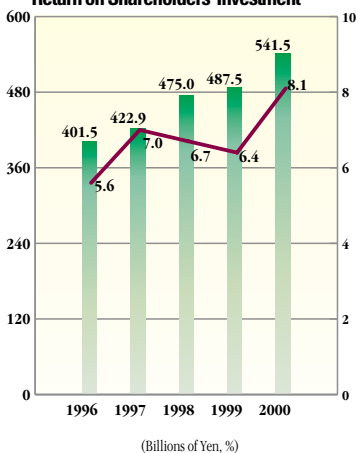
Our cash flow for the year included additional deposits of ¥50.0 billion (\$485 million) based on corporate bond underwriting contracts. Financing activities reflected the repayment of corporate bonds for this amount.

Consequently, cash and cash equivalents at the close of fiscal 2000 were ¥111.8 billion (\$1,086 million), down ¥18.8 billion, or 14.4%. One reason for this decline was an exchange-rate fluctuation effect of ¥4.7 billion (\$46 million).

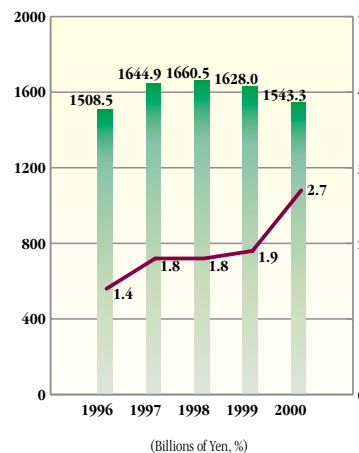
• Net Income per Share of Common Stock



• Shareholders' Investment and Return on Shareholders' Investment



• Total Assets and Return on Assets



A higher market cap

Intense interest in Internet stocks underpinned a roller-coaster year in global equity markets. Japan was no exception. By contrast, the share prices of well-established companies remained stagnant in Japan throughout the term.

But in this regard Ricoh was certainly an exception. Our share price reached a high of ¥2,525 (\$24.51) during the year, compared with a peak of ¥1,634 in the previous fiscal term. Our year-end market capitalization improved 78.0%, to ¥1,523 billion (\$14,786 million). Our share price has since remained near its fiscal 2000 peak despite a general downturn in Japanese equities markets. Such prolonged stability reflects the market's confidence in our broad, high-value-added lineup of products and solutions services for the digitally networked office.

Royal Treatment Builds Loyal Customers

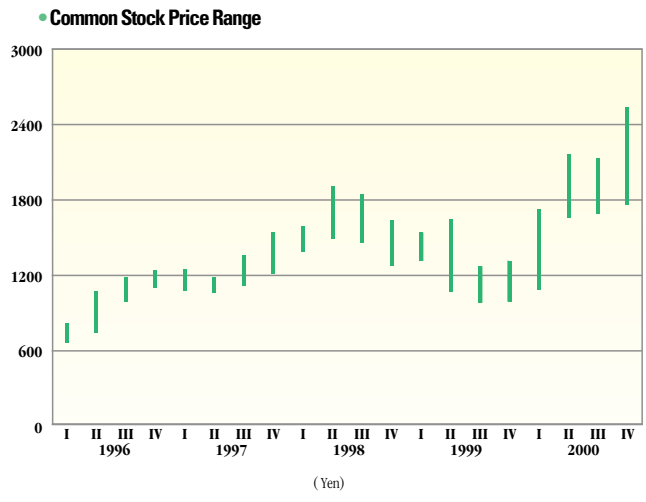
At the start of this letter, we attributed much progress to our customer satisfaction commitment. Of course, this is not a new concept for Ricoh. Throughout the 1990s, we overcame dark times precisely because we recognized that customers have become more selective and expect the very best.

But what exactly is our customer commitment

today? What's the focus? First and foremost, our customers want the best possible user experience with our products and services. They want value. Value doesn't necessarily mean the initial purchase cost, although we're already very competitive in that regard. Value is consistently delivering the most user-friendly performance in ways that cut the total cost of ownership.

Value is also pursuing new ways to enrich the customer experience while doing something for the environment. That is why, for example, we have altered our product lineup in the past few years to concentrate almost entirely on computer-connective, multifunctional equipment. Equally important, more of our products are very energy-efficient and recyclable.

One of our most pleasing achievements in fiscal 2000 was winning the 1999 Japan Quality Award, known colloquially in Japan as the JQA. This award is modeled after America's Malcolm Baldrige National Quality Award. The JQA essentially equates "quality" with "customer satisfaction." Entering the JQA competition was important in that it encouraged us to reform management and pursue customer satisfaction even more intensely. This, in turn, motivated us to explore areas we hadn't considered deeply before and to provide better solutions.



Becoming a Document Solutions Provider

One aspect of value that you will hear more of from Ricoh is the concept of “solutions.” The most obvious example of this in the past couple of years was our introduction of a full line of laser printers that complement our traditional strengths in multifunctional systems. These machines filled an important gap in our output equipment range. We call these “printing solutions.” It is a pleasure to note that all our printers swiftly became best-sellers in Japan and launched us to market leadership in some key volume segments.

But solutions are obviously much more than hardware. While so many companies have adopted the term today, becoming a “document solutions provider” is actually a natural progression for Ricoh.

“Solutions” combines the related emphases we’ve had over the past decade. In the early 1990s, we recognized the emergence of the digital office with our Image Processing Systems integration strategy. We then looked squarely at customer satisfaction because the digital office threatened to make life much more complex. We knew that only companies that could deliver efficiency and simplicity would be winners. We also paid great attention to the environment, helping conserve valuable resources without harming product performance.

Today, we have a thriving solutions business that draws on all these considerations to optimize or even customize the installation, operation, and maintenance of customers’ office equipment and systems. As mentioned earlier, this approach to customer satisfaction is helping dramatically reduce the total cost of ownership. We invite you to read the special feature later in this report. It details some ways in which we are enhancing customer satisfaction by providing document solutions.



Revamping Our Management System

Just after the close of fiscal 2000, we announced sweeping changes to our management structure.

You may ask why we’re doing this since we have been so successful in recent years. The answer is quite simple: We are in the age of speed. We must become much more responsive to change to guarantee our place as a winner in the 21st century. And it is more important than ever to build a more shareholder-oriented corporate governance setup.

We cannot provide full details yet as we still have much to finalize. But basically we are separating Ricoh Group management into executive and operating functions along the lines of U.S. companies. This means we



will have a smaller board devoted to Group financials, overall vision, and corporate value. Reporting to them will be executive officers of Ricoh's business divisions and subsidiaries. These officers will have far more authority and responsibility for their actions than before.

Page 56 of this annual report shows the new management system, which our shareholders approved on June 29, 2000.

The Best Is Yet to Come

Fiscal 2001 should be an exciting year. There is much to do and much to gain. Job No. 1 will be to build momentum for our printer and solutions businesses, which we intend to make operational cores in the years ahead. In

printers, we will bring out more color models based on high-value-added proprietary technologies. Particular emphases will be color and mid- and high-volume monochrome machines.

In our solutions business, we will innovate more support options for specific customer requirements. We will also harness the Internet to solidify our solutions-oriented sales structure.

At the same time, we will revamp our supply chain structure, including relationships with business partners, as part of a drive to maximize customer satisfaction and enhance efficiency.

We will pay greater attention to higher margins and lower costs. We aim to bolster net sales 3.7%, to ¥1,500 billion, while boosting net income 14.5%, to ¥48 billion.

Stay with us in the year ahead as we become a more valuable enterprise.

June 29, 2000

Sincerely,

A handwritten signature in black ink, appearing to read "H. Hamada".

Hiroshi Hamada
Chairman and Chief Executive Officer

A handwritten signature in black ink, appearing to read "M. Sakurai".

Masamitsu Sakurai
President and Chief Operating Officer