



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

### Delivering Value

Fiscal 2001 was yet another outstanding year, one in which Ricoh continued to deliver value for its stakeholders. We increased sales and earnings for the seventh and ninth consecutive years, respectively. We built value by expanding our hardware and solutions lineups. We maintained our dominance of the Japanese copier market and leading positions around the world—both in terms of market share and customer satisfaction. And we acquired new operations to build an even stronger future internationally.

### Excellent Sales

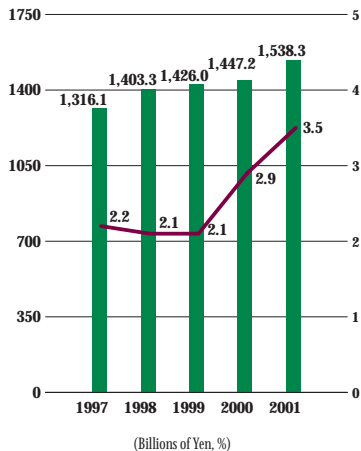
We boosted net sales 6.3%, to ¥1,538.3 billion (\$12,208 million), the seventh straight rise. Based on local currencies, the increase would have been 9.2%. Such growth stemmed from surging demand for our printing systems, particularly multifunctional printers (MFPs) and high-speed digital plain-paper copies (PPCs). Personal computer, useware, and document solutions operations contributed significantly in line with customers' increasing reliance on networks.

Domestic sales advanced 6.6%, to ¥930.4 billion (\$7,384 million). The prime factors here were MFPs and other printing solutions, network solutions, optical discs, and semiconductor operations. Overseas sales were up 5.9%, to ¥607.8 billion (\$4,824 million). We enjoyed outstanding growth in the Americas and other regions, which compensated for a decline in Europe owing to the euro's average 15% appreciation against the yen during the year. In local currency terms, our European performance was very solid; without exchange rate changes, overseas would have risen 13.2%.

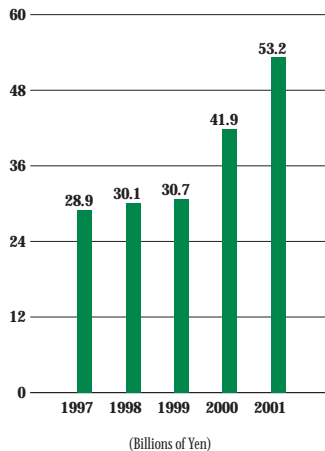
### Dramatic Earnings Gains

Operating income jumped 18.2%, to ¥105.1 billion (\$834 million). This reflected a significant increase in unit sales of high-margin MFPs and generally enhanced profitability in other operations. Interest and dividend income soared. At the same time, our Group Cash & Cost

Net Sales and Return on Sales



Net Income



initiatives helped slash interest and net other expenses. Net income consequently surged 27.0%, the ninth consecutive increase, to a record ¥53.2 billion (\$422 million).

Basic net income per share was ¥76.85 (\$0.61), up 26.8%. Fully diluted net income per share was ¥71.02 (\$0.56), up 26.7%.

Return on shareholders' investment climbed from 8.1% to 9.7%.

We boosted cash dividends per share of common stock by ¥1.00, to ¥12.00 (\$0.10).

#### A Stronger Financial Position

We continued reinforcing the basics in fiscal 2001 to ensure that we can keep delivering value over the long term. In the last quarter of the year, we acquired Lanier Worldwide, Inc., which maintains 1,600 sales and services locations for office imaging equipment in the Americas and Europe.

At year-end, total assets were ¥1,704.8 billion (\$13,530 million), up 10.5%. This reflected additions to fixed assets in buying Lanier Worldwide. We funded much of that acquisition with cash, which significantly reduced cash and cash equivalents but did not harm liquidity. Return on assets jumped from 2.6% to 3.3%.

Total liabilities rose 15.2%, to ¥1,100.6 billion (\$8,735 million), reflecting increases in trade payables and other current liabilities, as well as the Lanier Worldwide purchase.

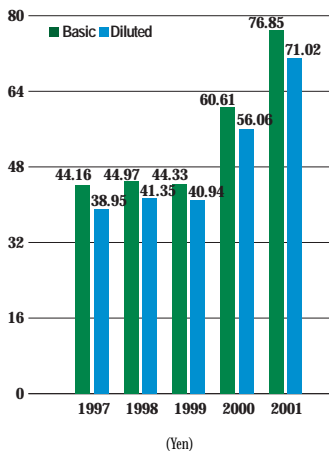
Shareholders' investment was up 2.8%, to ¥556.7 billion (\$4,418 million), primarily because of increases in retained earnings.

#### Solid Liquidity

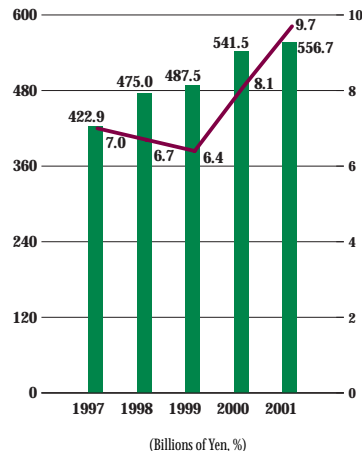
Cash flows were again ample. At the close of the term, net cash provided by operating activities were ¥102.7 billion (\$815 million), down 24.3%. This was mainly because of increases in trade and finance receivables and in inventories.

Net cash used in investing activities more than doubled, to ¥62.7 billion (\$498 million),

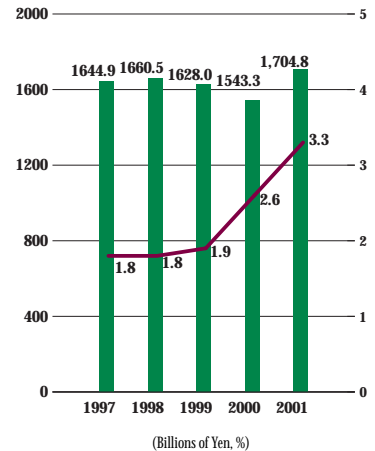
Net Income per Share of Common Stock



Shareholders' Investment and Return on Shareholders' Investment



Total Assets and Return on Assets



primarily because of increases in strategic investments for new products and semiconductor operations.

Operating and investing activities delivered a free cash flow of ¥40.0 billion (\$317 million), down 62.7%. This was more than enough, as we dramatically lowered our repayments of long-term indebtedness.

Net cash used in financing activities dropped 27.1%, to ¥88.4 billion (\$701 million), reflecting the increased long-term debt repayments.

As a result of these factors, cash and cash equivalents at year-end were ¥64.5 billion (\$512 million), a reduction of ¥47.4 billion, or 42.4%.

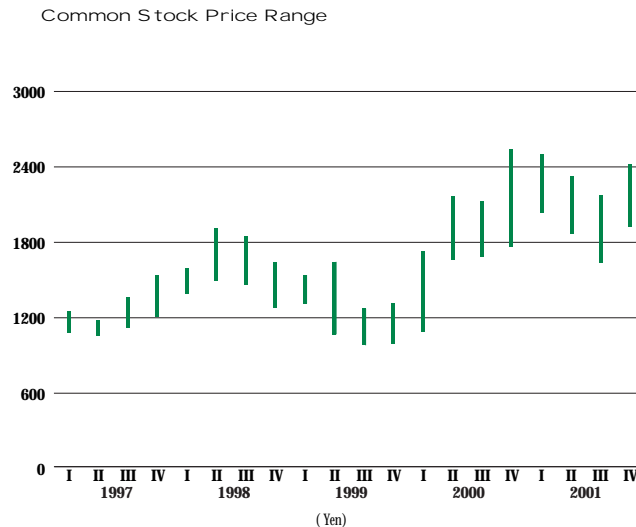
#### High Market Cap

Despite generally poor Japanese stock prices, exacerbated by collapses of many high-tech issues, we maintained a high market capitalization in fiscal 2001. Our share price peaked at ¥2,495 (\$19.80) during the year. While down from the ¥2,525 high of fiscal 2000, the price has reached a new record since the close of fiscal 2001.

#### Management Drive

Customer satisfaction remains at the heart of our drive to build corporate value. That is why we were especially pleased that J.D. Power Asia Pacific, Inc., placed us first in fiscal 2001 in its rankings of customer satisfaction among Japanese copier makers. It was our sixth straight year at the top.

We have restructured far more than most Japanese companies over the past decade or so. It has often been a painful process, but the rewards have accrued, as our operational and financial achievements have demonstrated. We have performed particularly well in recent years. But this is no time for complacency. Indeed, it is the perfect opportunity to capitalize on our solid situation. We are thus continuing to push ahead with restructuring.





We are doing much to create a low-cost, high-efficiency management structure and thereby combat a deflationary operating environment. For example, we are constructing a supply chain management system that allows us to simultaneously raise customer satisfaction while expanding cash flow. We are also endeavoring to ensure low-cost development and production.

Our main focus now is progress from individual operations so we can keep creating corporate value under the most challenging conditions. We target overall strengths based on individual reforms. We have mandated each Group company and business to reinforce its own competitiveness and meet specific operational and financial targets. We will become more valuable by combining the strengths of all Group members.

We took two significant steps in fiscal 2001 to support such efforts. First, we transferred authority and responsibility to individual businesses by instituting an executive officer system. The new system helped us roll out more products and capture significant market shares. Second, we reduced the size of our board of directors and appointed external people to that body. This setup has worked very well because board members can now concentrate better on the financial and strategic implications of decision-making. Our external directors also provide a wealth of experience from outside our industry and frequently offer entirely new perspectives on what we should aim for. We will continue to reform Group management so we can swiftly and dynamically tackle the challenges of change.

#### Strategic Speed

We pursue three basic operational strategies to deliver swift growth.

First and foremost, we seek to expand our market share in networked imaging equipment. This is obviously crucial in a digital world.

Second, we are deploying printing solutions as part of an eventual goal of providing total document solutions. Printing solutions combine our network-connective hardware with software and consulting to enhance productivity. We have only been fully involved in the printing business for the past few years. But we have already made great strides in building the critical hardware mass we need to move forward. In the not-too-distant future, we will move into document management solutions, where we can generate earnings from both hardware and such areas as document management software, more advanced consultation, systems customization, and even facilities management.

We achieved considerable progress in both networked imaging equipment and printing solutions in fiscal 2001. We met growing demand for color offerings in Japan with the new



IPSiO Color 8000 laser printer (Aficio AP3800C overseas), a class leader in terms of speed and reproduction quality. The Imagio Neo 350 (Aficio 1035) digitally networked MFP received the 2000 Energy Conservation Prize from Japan's Minister of Economy, Trade and Industry. We also brought out the RIDOC Document System, a user-friendly paperless setup that enhances document management.

Our third focus is to strengthen and grow our operations in five key regions worldwide—Japan, the Americas, Europe, Asia and Oceania, and China. Our acquisition of Lanier Worldwide reinforced our direct sales network in the United States, allowing us to expand solutions businesses for our customers through that company's direct sales channels.

#### Into High Gear

We are excited about our prospects for fiscal 2002. We will keep enhancing our printing systems, especially MFP platforms. We will expand our range of color plain-paper copiers, MFPs, and laser printers. In Japan, we will pursue progress in our solutions business, while overseas we will harness our broad sales marketing channels, including the resources of Lanier Worldwide, to build sales with more and more large customers.

Numerous risks and uncertainties lie ahead, particularly in terms of foreign exchange rates and deflation. Barring significant changes in those regards, we are confident of increasing net sales and net income. While pleased with our progress to date, we are keen to do much better for all our stakeholders. We look forward to serving you all again in fiscal 2002 as we shift into high gear on the road to long-term success.

June 28, 2001

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