

Our drive to build the digitally networked office dates to the mid-1980s, when we launched a project to develop a digital copier. We have since laid many more technological foundations for what we call the Ricoh Document Highway. This concept aims to streamline the flow of documents within and between companies by networking our equipment and applications seamlessly to deliver appliance-like ease through an open architecture.

Championing a user-friendly, open architecture will help bring Image Communication, our corporate slogan, to full fruition.

We already promote appliance-like ease by using a common architecture for all our imaging equipment—from personal business devices to standalone and multifunctional business machines. This lets users run networks based on uniform standards, eliminating the need for expensive add-ons. We modularize all systems applications so users can use the same operating commands and easily expand their systems.

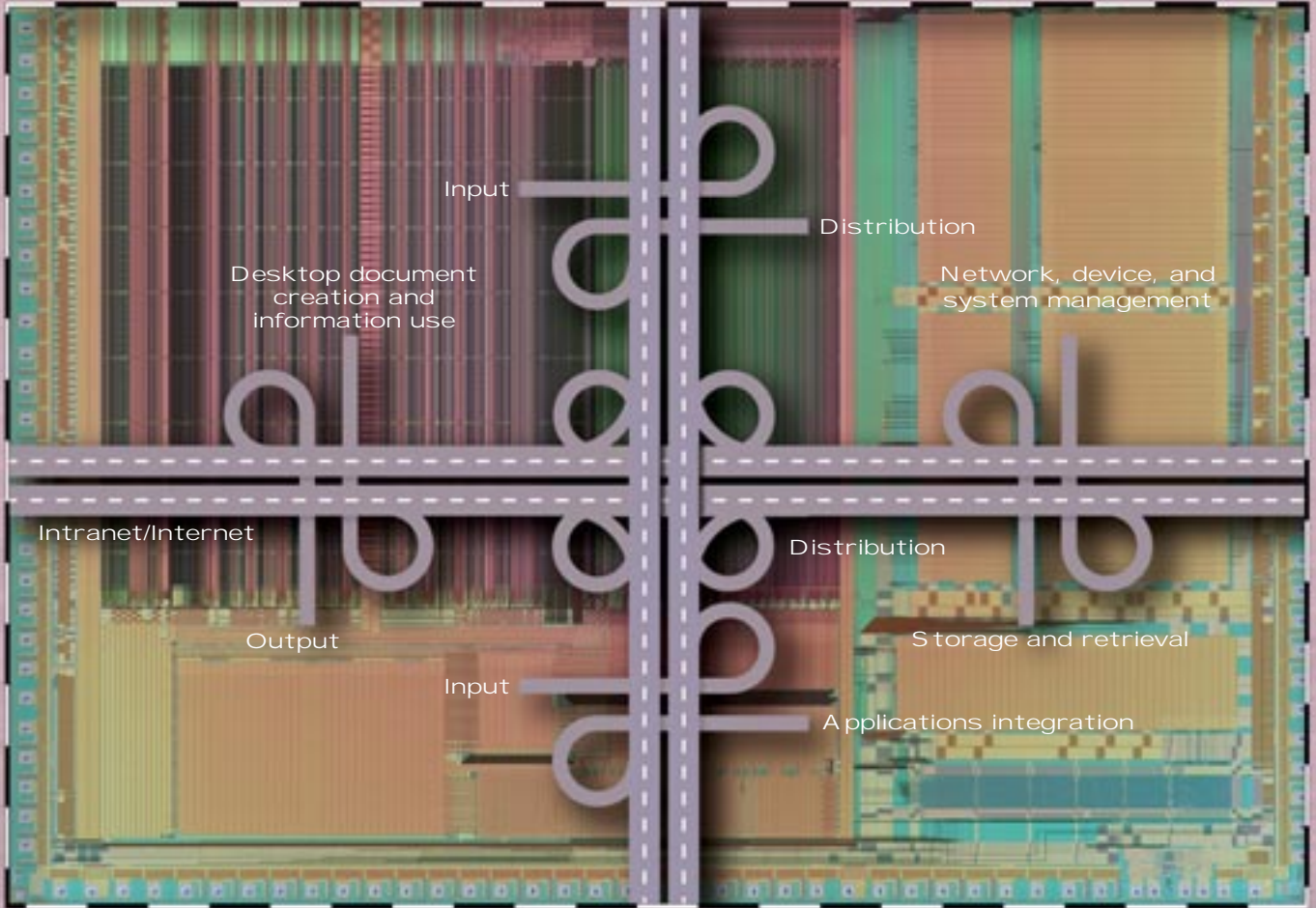
We pursue two prime goals on the architectural side. The first is to create and openly disclose the source code for our interfaces. This enables customers to modify interfaces to their specific requirements. It also reduces complications encountered when changing or upgrading systems. The second is to allow users to exchange data based on XML, a

markup language that has become a global standard on the Internet. This is obviously essential because users need and deserve seamless communications. Just as important, using XML encourages third-party vendors to enrich the user experience for Ricoh customers by quickly bringing out cost-competitive systems.

Once it is up and running, the Ricoh Document Highway will deliver new value in two specific ways. First, it will take full advantage of broadband technologies, allowing users to exchange information across the Internet and other networks anywhere in the world, including through wireless connections. Second, our commitment to XML will let users readily access data from all information setups—mainframes, groupware, document management systems, and imaging systems—whenever and wherever they want.

The Ricoh Document Highway is ultimately about providing people with powerful solutions to their document creation and management needs. It is not just a work in progress. Once the infrastructure is completely up and running, we envisage this road stretching forever. Our challenge will be to identify and remove any traffic jams so our users can experience the ease of driving along a technologically barrier-free road.

Easing the Way to an Open Road



While shifting into gear on the Ricoh Document Highway as a provider of solutions, we also continue working on the fundamentals in standalone and network-connective equipment.

Our operations are moving up through four levels. At the bottom is standalone equipment, which includes plain-paper copiers. On level two is network-connective equipment, encompassing MFPs, laser printers, scanners, and utilities. On the third level are printing solutions, with document solutions representing the fourth level.

As we move toward document solutions, most of our efforts and resulting earnings will concentrate on the ways in which we can help our customers get more out of their systems and lower the total costs of ownership.

Why are the fundamentals so important? It is because as a manufacturer we recognize that we must push the technological envelopes of our core competence to support solutions innovations. As part of that drive, we are working to combine our software capabilities with progress in basic materials, processing, production, and systems development technologies.

Such efforts led long ago to the shift from analog to digital equipment and, more

recently, from monochrome to color offerings. These were obviously milestones. But our real success in recent times has been in innovating a host of under-the-hood technologies that make our digital systems more affordable and efficient than those of our competition.

For example, we developed plastic mirrors that perform more efficiently than glass counterparts at less cost and with more imaging flexibility. Micron-level chemicals technology helped us create optical photoconductor drums for all copier and printer sizes to deliver additional performance and durability. Our transfer belts, which transfer toner to paper, replaced energy-wasting coronas and cut costs by eliminating the need for fans.

A recent shining achievement was the technology that went into the Imagio Neo 350 (Aficio 1035), an environmental champion described later in this special report. To enable the amazingly fast start-ups of this machine from sleep mode, we developed a fixer roller that is 0.4mm thin—one-seventh the thickness of conventional counterparts. This in itself was a tremendous achievement. But the real success is that the new roller is just as durable as earlier models, and thus

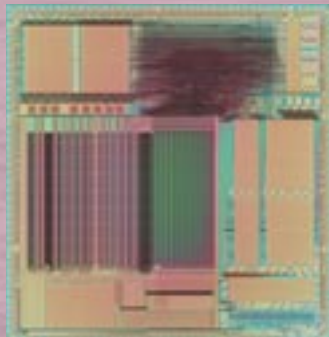
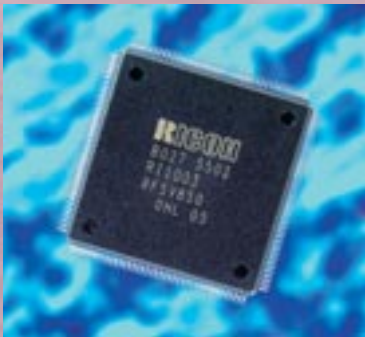
has broad potential across our product line. Equally important, we created a toner that fuses at lower temperatures and thereby saves energy.

Making better products is obviously important. It is just as critical to bring them to market faster at lower cost. This thinking lay behind our development of an image-processing large-scale integrated circuit (LSI) that functions as middleware and is based on a proprietary ultraparallel engine core. Middleware runs on predetermined software commands. The LSI is roughly 1% of the price of high-end, general-purpose processors, can be developed very quickly, and dramatically accelerates imaging. It controls specialized imaging tasks for specific models, correcting, enlarging, shrinking, and gradating images in real time. As a result, we can build far more flexibility into our products than ever before. The Imagio Neo 220/270 series of digital copiers was the world's first office equipment to incorporate such middleware.

From materials to advanced devices, Ricoh will continue to innovate the technologies that power the office equipment systems of today and tomorrow.



Solidifying Our Foundations



Our proprietary middleware LSI accelerates and lowers the cost of product development and dramatically enhances imaging performance through its model-specific controls. Our Imagio Neo 220/270 digital copiers were the world's first office machines to incorporate middleware LSIs.

Network-Connective
Equipment



To enable the Imagio Neo 350 to start up quickly from energy-saving sleep mode, we developed a fixer roller that is just 0.4mm thin—one-seventh the thickness of conventional counterparts—yet is as durable as earlier models. We also perfected a toner that fuses at lower temperatures and thus saves more energy.

Printing solutions combine our copier-based MFPs and laser printers with solutions software and consultation, complemented by full after-sales support and supplies. Such solutions are increasingly necessary as companies deploy massive digital networks and seek ways to manage and use their office equipment more efficiently. We can benefit, too, by increasing our market share and boosting customer satisfaction.

Our printing solutions business is already contributing solidly to results in Japan and is going from strength to strength overseas.

We offer solutions in several key areas. We enable customers to improve overall productivity by helping them plan their equipment networks based on specific printing requirements. We identify key ways to lower the total cost of ownership, partly by providing inherently reliable, highly efficient products but also through network management software. In line with that approach, we help reduce wastage by helping customers pare paper to the minimum. We would obviously benefit in the short term if companies printed more documents, but in the long term it is in

everyone's interest to conserve paper for the sake of efficiency and the environment.

One excellent solutions success was in January 2001, when U.S. sales subsidiary Ricoh Corporation became the sole supplier for the next 10 years of digital copiers, related supplies, and maintenance for the United States Postal Service. The Postal Service expects to save around \$7.4 million annually under the estimated \$200 million contract, thanks to expanded productivity through state-of-the-art technology and services. Ricoh Corporation maintains a program that ensures that all facets of the contract—from planning and installation to customer care—remain both on schedule and on budget.

We have strengthened our ability to provide multinationals with printing systems by forming the Global Major Accounts Program. Through this initiative, we concluded a deal to supply U.K.-based Invensys plc, a leader in the global automation and controls industry, with up to 2,000 multifunctional copiers in 55 countries through mid-2003. We also have domestic contracts with Crédit Agricole, one of France's largest banks. We won deals to

install 1,500 Aficio laser printers at branches in Charente-Maritime-Deux-Sèvres, 1,100 units at branches in Charente-Périgord, and 1,500 units at branches in Normandy. We have similarly large supply and service agreements with such prominent multinationals as the Michelin Group, the Royal Dutch/Shell Group, and Lear Corporation.

Our strong worldwide support network is a great attraction for such large customers. The network includes Gestetner Holdings PLC, which operates in more than 60 countries and specializes in serving small and medium-sized companies. In January 2001, we wholly acquired Lanier Worldwide, headquartered in Atlanta, Georgia. Lanier has 1,600 sales and services locations offering document management solutions for customers in more than 100 countries, and has innovated an array of solutions designed to improve productivity. Its prime strength is serving large corporations, which include many Fortune 500 players.

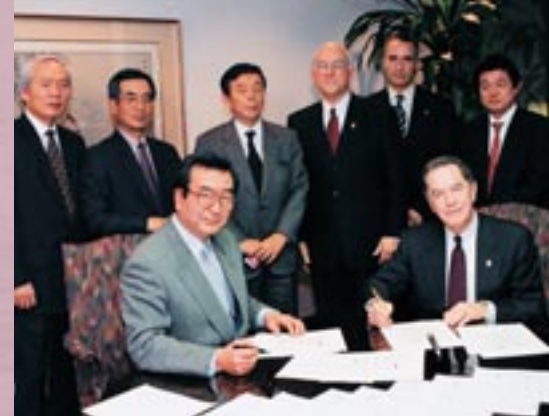
In pursuing printing solutions, we help our customers reach their objectives.



Pursuing Printing Solutions



Katsumi Yoshida, President and CEO of Ricoh Corporation (left), Raymond Thompson, Manager of the Purchasing & Materials Service Center of the United States Postal Service (middle) and Jim Ivy, Executive Vice President of Ricoh Corporation and a Senior Vice President of Ricoh, pose in front of one of the machines included in a 10-year exclusive supply and maintenance contract.



Pictured at the January 2001 signing ceremony to acquire Lanier Worldwide were Masamitsu Sakurai, President and COO of Ricoh (seated, left); and Wes Cantrell, then Chairman of Lanier Worldwide (seated, right). Also at the signing were other senior executives from Ricoh Corporation, Ricoh, and Lanier Worldwide.



Suzanne McAuley is Global Commodity Manager for Indirect Materials & Services at the Power Systems Division of Invensys. Ricoh Group companies around the world have concluded contracts to supply U.K.-based Invensys, a leader in the global automation and controls industry, with up to 2,000 multifunctional copiers in 55 countries through mid-2003.



Norihisa Gotoh, new Chairman and CEO of Lanier Worldwide (second from left), and Lance Herrin, President and COO of Lanier Worldwide (center), attend a management meeting at headquarters.



We have full-service hardware, supplies, and software contracts with Crédit Agricole, one of France's largest banks. The contracts include installing around 4,100 laser printers throughout that institution's branch networks in Charente-Maritime-Deux-Sèvres, Charente-Périgord, and Normandy.



At Ricoh, we believe that conserving valuable resources not only benefits the environment but also makes good business sense. As a result, we pursue proactive environmental management initiatives. Our products and services provide our customers with tools to lower the cost of ownership by using fewer consumables and saving energy while enhancing productivity significantly.

At the same time, we strive to reduce the environmental impact of all our activities from manufacturing through sales and service. We have made ourselves a testbed for environmental technologies and initiatives. We maintain environmental management programs in our five operating regions worldwide. The administrators of these programs gather once a year in Japan to present and discuss their achievements.

Our environmental accounting system is part of our approach. The system identifies the monetary costs and returns of our environmental dedication. This aids decision-making and reassures our customers, shareholders, and local communities that we

are doing our best to balance the environmental impact of our operations with the economic effects of these activities. A good measure of our achievement is an annual survey conducted by the *Nihon Keizai Shimbun*, Japan's leading business daily. This paper has ranked Ricoh the environmental frontrunner in the nation for the past three years.

An excellent way in which we slash economic and environmental costs is our zero-waste strategy. Our Numazu plant, for example, has saved almost half a million dollars by slashing direct and indirect costs of waste treatment or disposal. In June 2000, Ricoh Industrie France S.A. achieved zero waste landfill. As of March 2001—one year ahead of schedule—Rico Electronics, Inc., had reached this goal at its production sites in California, Georgia, and Mexico. These facilities refuse, return, reduce, reuse, or recycle all resources that used to go to landfills. That includes food, paper, plastic, glass, office and production supplies, equipment, and manufacturing byproducts. The sites are

open to anyone wishing to verify those achievements or learn how to emulate them.

On the product front, we raced ahead in the energy-efficiency stakes by developing Imagio Neo 350 (Aficio 1035), the world's first copier to beat the requirements of the Demand-Side Management program of the International Energy Agency (IEA). This machine consumes just seven watts in stand-by mode, compared with the 10 mandated, yet can start up within 10 seconds—more than eight times faster than the previous Ricoh leader in that respect. We have proved that an environmentally friendly office machine can also deliver superior performance. This achievement earned us the IEA's Copier of the Future Award, as well as the 2000 Energy Conservation Prize from Japan's Minister of Economy, Trade and Industry.

Through our ongoing commitment to the environment, we aim to ensure that our operations and products waste neither resources nor money.



Ricoh engages in many grassroots conservation efforts around the world that augment its internal initiatives. In the Philippines, for example, we are working with a non-government organization in a project to safeguard the Sierra Madre rainforest for future generations.



Wasting Nothing



Ricoh Electronics reached its zero-waste landfill objectives in April 2001—one year ahead of schedule—at its production sites in California, Georgia, and Mexico. These facilities follow a strict “5Rs” program, in which they refuse, return, reduce, reuse, or recycle all resources that used to go to landfills. At the Georgia plant, the Zero Hero character is designed to make zero-waste activities more fun.

Employees from Ricoh Electronics’ Tustin, California, base work closely with students, parents, and teachers at local schools to create a more pleasant environment. Pictured here are students from Madison Elementary School, for whom the employees painted murals and helped plant flowers and collect waste to underscore the importance of keeping nature beautiful.



Ricoh UK Products Ltd. has a long record of environmental achievements and has made environmental management central to its operations, which include recycling PPCs. This subsidiary aims to reach its zero-waste landfill goal by September 2001.



Ricoh Industrie France not only achieved its zero-waste landfill target in June 2000 but also devised novel ways to reduce water usage on its thermal paper line and modify its toner cartridge boxes to become even more environmentally friendly.

