

**RECORD RESULTS**

Fiscal 2003 was another banner year for Ricoh, one in which we boosted net sales for the ninth straight year and net income for the 11th consecutive term. Both figures were record highs, and owed much to the release of color multifunctional printers (MFPs) and high-speed monochrome MFPs. Our results also benefited from very successful rollouts of laser printers in Japan and overseas that deliver color at speeds and prices comparable to those of monochrome machines. Another key factor was printing solutions, in which we drew on our global sales and support structure to optimize total printing costs and increase the number of major accounts around the world.

**Performance in Depth**

Net sales rose 3.9%, to a record ¥1,738.3 billion (\$14,732 million). This was the ninth consecutive rise. The increase would have been 2.7% without fluctuations in foreign exchange rates.

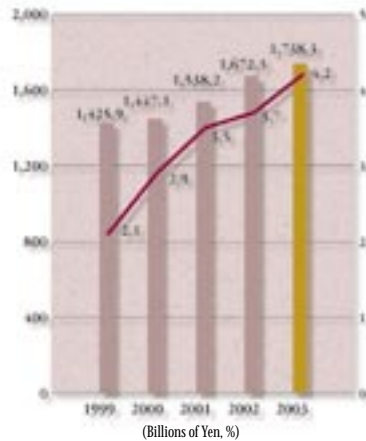
We again encountered tough going in Japan owing to a generally bleak local economic picture, although we were able to limit the decline in revenues by increasing sales of such printing systems as MFPs and laser printers. We also generated greater solutions business sales, notably for useware and document management offerings. At the same time, demand was lower for analog machines, personal computers, servers, and measurement equipment. As a result, domestic sales were off 0.7%, to ¥896.0 billion (\$7,593 million). This represented 51.5% of net sales, down 2.5 percentage points.

The situation was much brighter internationally. Overseas sales increased 9.4%, to ¥842.3 billion (\$7,138 million). Sales advanced solidly for core digital equipment, while sales of printing systems were up significantly in Europe and the United States. Sales were favorable for optical disc and semiconductor operations. Without the foreign exchange effect, overseas sales would have gained 6.8%. These sales represented 48.5% of net sales, up 2.5 percentage points.

Operating income was up 3.1%, to ¥133.6 billion (\$1,133 million). High-margin models and cost-cutting initiatives contributed much to this rise.

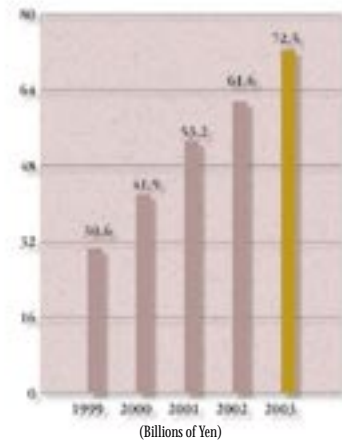
Net income gained 17.7%, to ¥72.5 billion (\$615 million), another record high. Basic net income per share increased 13.1%, to ¥99.79 (\$0.85). Fully diluted net income per share was up 17.4%, to ¥96.81 (\$0.82). Return on shareholders' investment was 11.2%, from 10.4% in fiscal 2002.

**NET SALES AND RETURN ON SALES**



\*See Note 1 on inside front cover.

**NET INCOME**



As part of an ongoing commitment to improving shareholder returns, we raised cash dividends per share of common stock for the third consecutive year, to ¥14.00 (\$0.11).

At the close of fiscal 2003, total assets were up 2.8% from a year earlier, at ¥1,884.9 billion (\$15,974 million). Total liabilities increased 2.2%, to ¥1,174.1 billion (\$9,950 million).

Total shareholders' investment was up 3.9%, to ¥657.5 billion (\$5,572 million).

Net cash provided by operating activities was up ¥80.6 billion, to ¥185.7 billion (\$1,574 million). This owed to higher net income and depreciation and amortization and a decrease in inventories as a result of strong supply chain management.

Net cash used in investing activities increased ¥16.7 billion, to ¥98.1 billion (\$832 million). This stemmed from higher capital expenditures for new production lines and additions to bond investments.

Free cash flow generated by operating and investing activities thus totaled ¥87.5 billion (\$742 million), up ¥63.8 billion.

Net cash used in financing activities was ¥67.1 billion (\$569 million), compared with ¥36.2 billion provided by such activities in fiscal 2002. This reflected reductions in interest-bearing debt to harness Group funds more efficiently. Outlays included dividend payments of ¥10.1 billion (\$86 million) and expenses of ¥17.2 billion (\$146 million) to secure treasury stock.

As a result of these factors, cash and cash equivalents at the close of the term were ¥19.0 billion higher than a year earlier, at ¥189.2 billion (\$1,604 million).

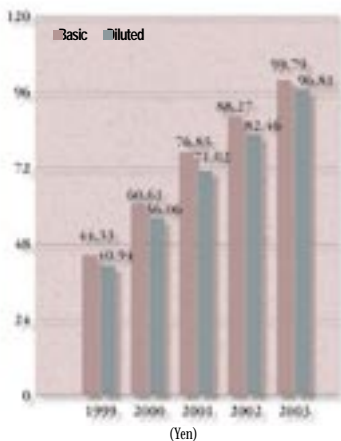
### AGGRESSIVE STRATEGIES

During the year, we continued to go from strength to strength in implementing our 14th medium-term business plan to broaden our revenues and earnings foundations. The plan addresses two important emerging trends. First, users increasingly seek ways to enhance productivity. Second, they rely more on color-based documents nowadays and have to handle more information.

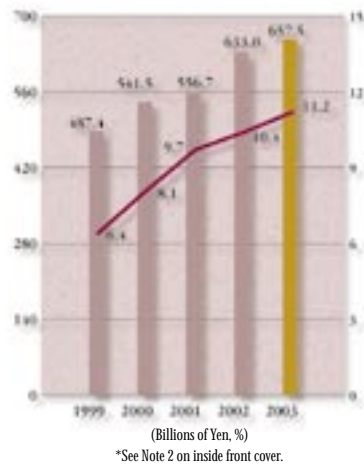
Our plan has three basic components, all of which will help us build total document volume and increase sales and profits.

The first is to replace monochrome products with color models. We are building a full line-up of compact color machines at prices comparable to monochrome models so we can secure new markets by meeting new demand for color. We won top marks in Japan and abroad during the year for our Aficio AP 3800C (IPSiO Color 8000 in Japan) series of fast color laser printers,

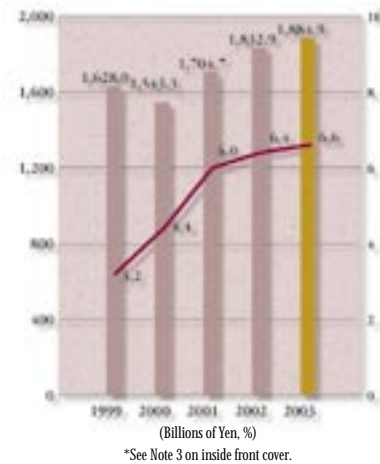
NET INCOME PER SHARE OF COMMON STOCK



SHAREHOLDERS' INVESTMENT AND RETURN ON SHAREHOLDERS' INVESTMENT



TOTAL ASSETS AND RETURN ON ASSETS





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

which deliver color performance at monochrome speeds and prices. We released the Aficio 1224C/1232C (Imagio Neo C240/C320) series of MFPs for regular offices, which helped expand our share of the domestic color copier market.

The second is to expand sales of high-speed models. We aim to attract more customers through fast machines that are competitively priced, cost less to maintain, and are even more reliable. For example, our Aficio 1105 (Imagio MF105ProII) digital copier was very well received domestically and abroad for its affordability and consistent performance. This machine attracted more customers seeking high-volume copying and output.

Third, we are deploying printing solutions. Here, we suggest ways for customers to optimize the total output costs of their copiers and printers so we can expand equipment sales and increase total document volume. In the European and U.S. markets, in particular, during the term we drew on a global service and support structure that optimizes total printing costs for copiers and printers. We thus steadily increased the number of major accounts worldwide.

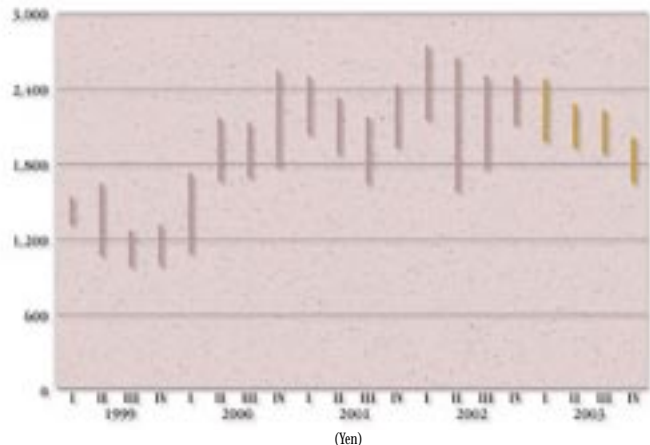
**ORGANIZATIONAL IMPROVEMENTS**

One of the highlights of the year was the establishment of Ricoh China Co., Ltd. This holding company is working to expand our operations in the highly promising Chinese market. We have already achieved impressive results to date in that nation, and the new operation is strategically expanding our business by integrating sales, production, and development.

We are striving to bolster our technological capabilities to become the world's No. 1 product engineering company, providing the most competitive hardware, software, and services. Specific focuses include technologies to develop next-generation, high-speed color imaging equipment and designing and developing hardware and software that allow users to freely and simply connect and operate various office machines. We are hard at work creating environmentally friendly offerings. In the year under review, we set up four research centers within the Research and Development Group to support the development of basic technologies. They include one center that specializes in photonics and another that concentrates on environmental technologies. In



COMMON STOCK PRICE RANGE



addition, we established operations within the Software Research and Development Group. We also decided to make Tohoku Ricoh Co., Ltd., a wholly owned subsidiary in keeping with efforts to reinforce Group development and design capabilities so we can integrate our strategies while delivering cost-competitive offerings.

Change extended to corporate governance in the year under review. This is in keeping with our conviction that we must deliver value not just through our products and services but also through our commitment to the interests of shareholders and the communities in which we operate.

In recent years, for example, we introduced an executive officer system that transfers authority to divisions. We now have a board of 16 directors, including two external officials, to handle major decisions on Group management. Four auditors, including two external ones, now oversee compliance and institute independent internal checks through our auditing office. During fiscal 2003, we established the Corporate Social Responsibility Division to coordinate activities worldwide. The Division also cooperates with other internal bodies that handle environmental, information security, and compliance issues.

#### PURSuing GREATER VALUE

Our drive to become the world's No. 1 product engineering company entails providing new value through our customer-oriented management. Also key is our commitment to technological innovations that simplify digital networking, delivering ease of use and superior productivity. Environmental management remains central to our mission, and we aim to contribute even more to the resolution of environmental missions without compromising profitability. A complementary objective is to slash expenses so we can achieve a low-cost, highly competitive man-

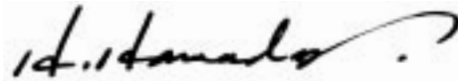
agement structure that lets us operate even more efficiently in deflationary environments.

We anticipate higher revenues and earnings in fiscal 2004, and invite you to monitor progress through our investor relations website ([www.ricoh.com/ir/](http://www.ricoh.com/ir/)).

As always, we deeply appreciate your support and encouragement, and look forward to a great fiscal 2004.

June 26, 2003

Sincerely,



Hiroshi Hamada  
Chairman



Masamitsu Sakurai  
President, Chief Executive Officer and Chief Operating Officer

