

## 10th Consecutive Year of Increased Sales and Profits

In fiscal 2004 (the year ended March 31, 2004), the Ricoh Group achieved 10th consecutive sales growth and 12th consecutive net income growth. The office equipment market is changing rapidly, and in order to remain the valued-oriented company that customers have come expect, the Ricoh Group is carrying out effective structural reforms. We do more than simply manufacture and sell copiers and printers; we select and recommend the most appropriate products and systems that satisfy our customers' needs in terms of both cost and performance. We also promote businesses that help streamline our client companies and make them more cost efficient. We believe that these efforts—which are aimed at establishing a corporate structure that sees things the way our customers do—are the contributing factors to our favorable performance year after year.

Colorization and digital networking in the office equipment market are progressing rapidly, and customer needs are changing even faster. We are able to precisely define customer needs by staying in touch with our customers and changing when they do without being influenced by market trends.

In fiscal 2004, the innovative idea of combining printer and copier affected the basic strategies of the entire Ricoh Group. Being among the first to notice a trend towards the colorization of copiers and multifunctional printers (MFPs)—a trend that started in Japan and is now spreading quickly throughout the United States and Europe—we were able to readily offer our customers a wide range of products from our lineup to suit their particular corporate character and needs. This has led the Ricoh Group as a whole to some obvious achievements, i.e., an increase in sales and profit.

## Performance in Fiscal 2004

Consolidated net sales in fiscal 2004 came to ¥1,780.2 billion (\$1,118 million), up 2.4% from that in the previous fiscal year, the 10th consecutive year an increase was achieved.

Domestically, increased sales of printing systems, such as MFPs and laser printers, resulted in domestic sales of ¥914.0 billion (\$8,789 million), up 2.0% from that in the previous fiscal year.

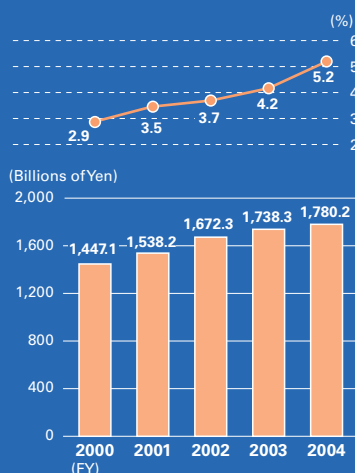
Overseas, sales in the Americas declined, influenced by the appreciation of the yen against the dollar, while sales in the office equipment business continued to be favorable in Europe. By product line, increased sales of color plain-paper copiers (PPCs) and printing systems, both core Ricoh products, compensated for decreased sales of stand-alone analog machines and optical disc drives. As a result, overseas sales went up 2.8% from that in the previous fiscal year, to ¥866.1 billion (\$8,329 million).

Operating income rose 12.2%, to ¥150.0 billion (\$1,442 million), thanks to an increase in domestic and overseas sales of such high-margin, high-value-added products as MFPs and laser printers. Moreover, despite active spending in such strategic areas as research and development and the development of a core system, and despite a temporary increase in pension expenses following pension reforms, the relentless implementation of effective cost-cutting measures succeeded in contributing significantly to this rise in income.

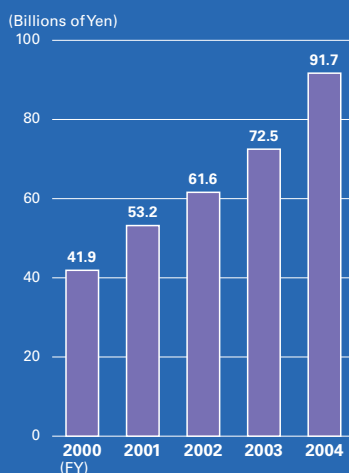
Net income jumped 26.6%, to ¥91.7 billion (\$882 million), for its 12th consecutive increase and 10th consecutive record high. Basic net income per share climbed 23.9%, to ¥123.63 (\$1.19).

Return on shareholders' investment rose from 11.2% in

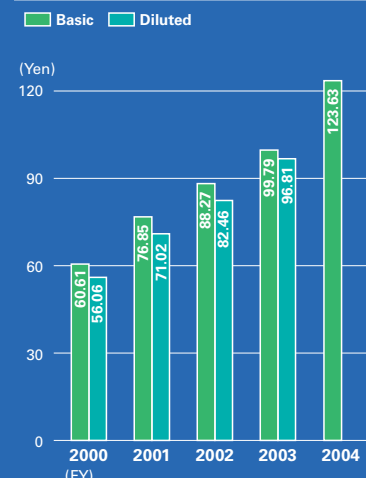
● Net Sales and Return on Sales\*



● Net Income



● Net Income per Share of Common Stock



fiscal 2003 to 12.6%.

We raised cash dividends paid per share of common stock to ¥15.00 (\$0.14), an increase for the fourth consecutive year.

### Strengthening Our Financial Position

Led by an increase in net income and other factors, free cash flow generated by operating and investing activities totaled ¥91.5 billion (\$880 million), up ¥3.9 billion from that in the previous fiscal year.

In addition, the promotion of effective fund utilization among group companies and efforts to reduce interest-bearing debt contributed to a reduction of ¥51.8 billion in interest-bearing debt.

Retirement benefit payments declined ¥125.5 billion, and the negative balance for pension liability adjustments shrunk ¥74.2 billion in shareholders' equity mainly thanks to a transfer of the payment obligation of substitutional benefits for the employees' pension fund to the government and a reform of the pension program itself. Consequently, the equity ratio rose 8.0 points, to 42.9%, enhancing our financial position.

### Realizing TDV

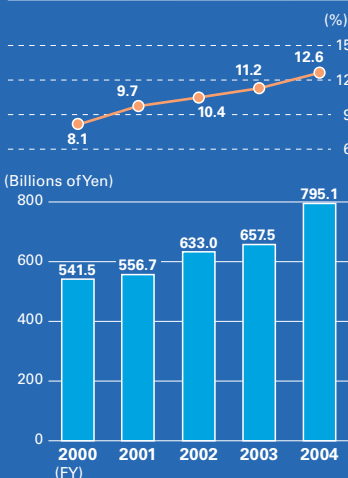
In the office equipment business, which is the core of our operations, the customer's need for more efficient and innovative operations will continue to grow. In line with digital networking, customers will require more information to be computerized, color-based, and larger in terms of volume. We expect that customers will give top priority to efficient and effective input/output, storage, and retrieval of total document volume (TDV) in printing as well

as in copying. Anticipating such market trends, the Ricoh Group has set the goal of expanding its revenue base through the realization of TDV as its principal strategy for the 14th medium-term business plan (April 2002–March 2005).

The strategy consists of three basic components. The first is the replacement of monochrome products with color models. By expanding the line of color models that feature space-saving designs at prices comparable to those of monochrome machines, we will meet the customer's need for color documents. The second component is the expansion of sales of high-speed models. By providing high-speed machines that are competitive in terms of sales price, maintenance fees, and reliability, we will meet the customer's need for higher-efficiency output. The third component is the deployment of printing solutions. By proposing the optimal combination of copiers and printers, we will meet the customer's need for further cost reductions.

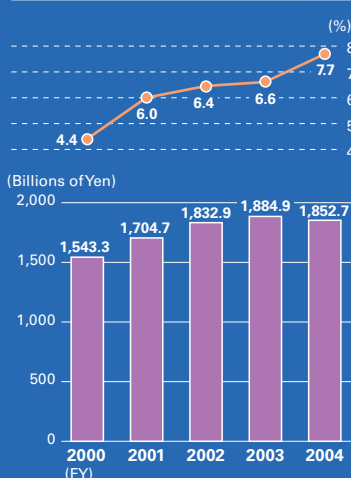
In fiscal 2004, the halfway mark of the 14th medium-term business plan, we specifically implemented the following measures. For replacing monochrome products with color models, we placed new color multifunctional copiers and color laser printers on the market on a continuous basis to further expand our color line. As a result, we were able to greatly increase our market share of color copiers both in the United States and Europe. Also, to create a market for office inkjet printers, we put the IPSiO G707/G505 on sale, which is a color inkjet printer equipped with our own GELJET technology.

● Shareholders' Investment and Return on Shareholders' Investment\*\*



\*\*Return on shareholders' investment based on net income

● Total Assets and Return on Assets\*\*\*



\*\*\*Return on assets based on income before income taxes, minority interests and equity in earnings of affiliates

Our high-speed digital multifunctional copiers were always highly regarded in both domestic and overseas markets, which helped to steadily expand sales of those models and build our market position. As for making our printing solutions more widely available, especially in Europe, we worked incessantly with large companies to develop business on a global scale by proposing to optimize the total cost of copiers and printers and providing worldwide services and support.

Moreover, we strengthened our technological capabilities and continued to provide competitive products and services to become the world's No. 1 product engineering company. Specifically, we focused on (1) technological fields that would help develop the next generation of high-speed color imaging devices, (2) designs that would facilitate the easy connecting and operation of various office equipment, and (3) environment-friendly products. These efforts culminated in the release of the imagio Neo 752/602 series, which is a high-speed digital multifunctional copier that is easy to use, energy efficient, and environment friendly while still providing the high productivity expected in a high-speed machine.

## Establishing a CSR Charter

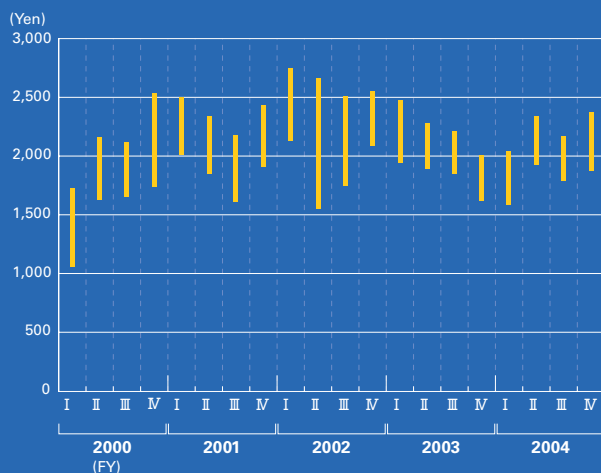
The Ricoh Group promotes more effective corporate governance while ensuring management transparency through corporate ethics and compliance principles.

In November 2003, we established the Ricoh Group Corporate Social Responsibility (CSR) Charter. This charter aims to ensure that, in conducting business on a global scale, we will understand and comply with the letter and spirit of the laws and regulations of each country and international rules and will conduct business with common social courtesy and responsibility. We have also set up the Ricoh Group Code of Conduct in January 1, 2004, to enforce the charter. Approximately 74,000 Ricoh employees in five regions around the world pledged to adhere to the Code of Conduct. The Ricoh Group will continue to take aggressive measures to fulfill its corporate social responsibility to gain the recognition and support of all of its stakeholders across the globe.

Other measures involving corporate governance include the establishment of in-house rules that cover the entire process of collecting and preparing information to be disclosed and reporting and disclosing such information. To this end, the Disclosure Committee was set up to ensure that such informations are disclosed in a proper, timely, and comprehensive manner.

In addition, recognizing the rising demand for the increased independence of auditing firms, we set up rules concerning policies and procedures for pre-approval in auditing and nonauditing practices. Accordingly, a system was introduced for advanced approval from the board of auditors with regard to the content and value of the auditing agreement.

### ● Common Stock Price Range



## Becoming No. 1 in the 21st Century

The Ricoh Group must strengthen its competitive edge by creating new customer values and developing highly efficient management if it is to continue to grow and develop.

To become the world's No. 1 product engineering company, we must see potential customer needs as an opportunity and be prepared to be the first to provide customers with new values.

To this end, we will put more effort into customer satisfaction and aggressively create new values through a stronger commitment to enhance our technological capabilities in order to deliver the kind of products and services that offers such values.

In particular, we will focus on providing the following values to customers: support in knowledge-creation activities, harmony with the environment, and comfort for the user. Specifically, we will support customers at work by conducting knowledge-creation activities and establishing an environment for such activities, provide customers with products and services that will contribute to the preservation of the global environment, and make our products and

services easier to use so that customers will be able to fully utilize them.

For the process renovation that we are promoting as a group, we shall steadily improve our management efficiency in every business area. Through these measures, we will further increase our profitability and aggressively invest the profits that we make into our future growth.

To achieve its vision of being No. 1 in the 21st century, the Ricoh Group is committed to engendering the trust of more customers by providing them with new values through business activities that contribute to higher productivity and knowledge creation at work at anytime, anywhere. We will strive to achieve more corporate value and sustainable development while strengthening the relationship of trust between all stakeholders.

June 25, 2004

