

## Sales Up for 12th Consecutive Year as Both Sales and Operating Income Reach Record Levels

In fiscal 2006 (year ended March 31, 2006), the Ricoh Group achieved consolidated net sales of ¥1,915.0 billion (\$16,368 million), up 5.6% from the previous fiscal year, to mark the twelfth consecutive year of sales growth. As operating income also rose, by 12.2% from the previous fiscal year, to ¥152.0 billion (\$1,299 million), the Ricoh Group achieved the highest sales and income ever.

In fiscal 2006, the Ricoh Group launched a number of color MFPs and color laser printers in Japan and the rest of the world to fortify product lines and aggressively offer solutions to customers. As a result, both sales and income have increased.

At the same time, the Ricoh Group has made strategic investments in a number of fields, so as to reinforce the sales organization to expand printing solutions, improve and integrate maintenance service units and development units in Japan, and create a mainframe information system. Such investments for the future represent the steady steps that we have taken to further solidify our business foundation and to accelerate growth.

## Performance in Fiscal 2006

The Ricoh Group's consolidated net sales in fiscal 2006 rose 5.6% from the previous year to ¥1,915.0 billion (\$16,368 million), marking the twelfth consecutive year of sales increase.

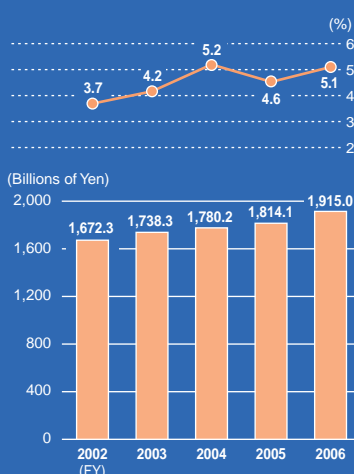
Domestically, sales of primarily color models of digital PPCs and MFPs (multifunctional printers), as well as laser printers, continued to increase. As a result, sales of Imaging Solutions, our core segment, rose by 3.8% from the previous year. On the other hand, sales fell for PCs and servers, as well as for optical equipment whose demand has been sluggish. As a result, domestic sales declined 0.1% from the previous year to ¥972.0 billion (\$8,308 million).

Overseas, sales of Imaging Solutions, our core segment, made large gains. The depreciation of the yen also helped, as sales of this segment increased by 12.1% from the previous year.

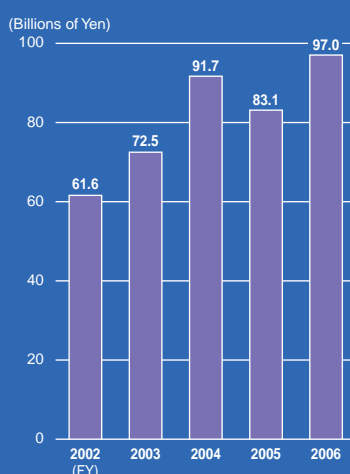
In the Americas, in particular, sales were strong for color PPCs, MFPs, and laser printers. The same product groups were also responsible for favorable sales in Europe and other regions. Industrial Products experienced increased sales due to the recovery in the demand for semiconductors, compensating for the sales reduction from the optical discs business that we downsized previous year. As a result, overseas sales increased by 12.1% from the previous year to ¥943.0 billion (\$8,059 million).

Operating income was given a boost by the increase in sales of new products that offer high margin such as MFPs and laser

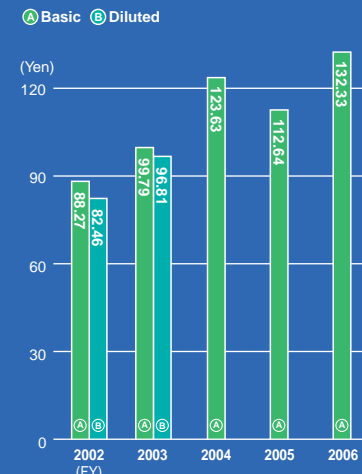
● Net Sales and Return on Sales\*



● Net Income



● Net Income per Share of Common Stock



printers, extensive cost control from the development stages, and continuing cost-cutting activities in distribution and production reforms. Despite posting such strategic expenses as research and development expenses for developing new products, operating income increased by 12.2% from the previous year to ¥152.0 billion (\$1,299 million). Net income increased by 16.7% from the previous year to ¥97.0 billion (\$829 million), the highest figure ever.

Basic net income per share was ¥132.33 (\$1.13), and return on shareholders investment was 10.6%.

Cash dividends paid per share of common stock amounted to ¥22.0 (\$0.19), an increase for the sixth consecutive year.

### Financial Position Continues to Improve

Cash flow was affected on one hand by an increase in net income and on the other hand by an increase in capital investment to add production lines for new products and to improve research and development facilities. Free cash flow, which is the sum of cash flows for operating activities and investment activities, increased by ¥20.2 billion from the previous year to ¥56.8 billion (\$485 million) of positive cash flow.

The promotion of effective capital utilization among group companies reduced interest-bearing debt by ¥28.8 billion from the previous year (balance of ¥381.2 billion).

Meanwhile, total shareholders' equity increased by ¥97.2 billion to ¥960.2 billion (\$8,207 million) due to increase in

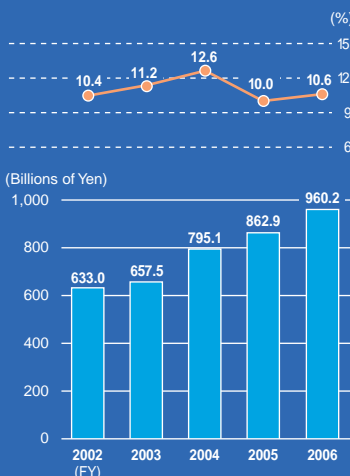
retained earnings, and equity ratio rose by 2.8 points from the previous year to 47.0%.

### Results of the 15th Mid-term Management Plan

Since the 13th Mid-term Management Plan, the Ricoh Group has set its sight on changing the business structure in Office Solutions, our core segment, so we not only manufacture and sell equipment, but help customers improve or reform their operations by providing devices and systems. Then, in the 14th Mid-term Management Plan, we set the principal strategy as expanding the revenue base through the realization of TDV, and took various steps to this end. While the direction of the reform and the essence of the principal strategy remain the same in the 15th Mid-term Management Plan, which we have deployed since April 2005, we will more than ever work closely with our customers to continue to provide the values that meet the customers' needs and to increase our corporate value.

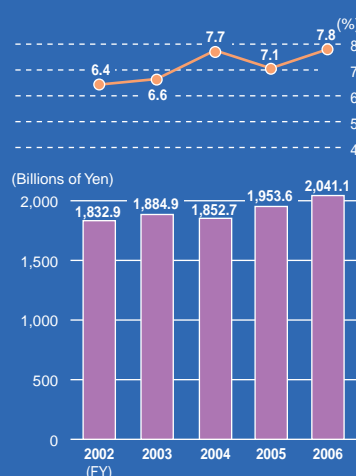
In the office solutions segment, we are confident that we can further solidify our business foundation by taking full advantage of the strengths of the Ricoh Group such as full product line merchandising, close contacts with customers in sales and service, ability to offer solutions, global operations, and image processing and image processing and fusion technologies. We will allocate greater business resources to printing, an area that shows promises of growth, to deploy printing solutions, enter the high-end production printing

● 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

market, reinforce low-end products with color laser printers, and expand Gel-Jet printers to expand our business domain and scale. Furthermore, by reinforcing the solution sales structure and solution platform, we plan to increase transactions with major customers, particularly those who have operations around the world.

The Ricoh Group will also allocate greater business resources to businesses that promise growth in the industrial field. In addition, we will aggressively promote business expansions in Office Solutions and Industrial Products in emerging markets.

As technological differentiation is essential in creating new customer values and improving profitability in each business, the Ricoh Group will continue to aggressively reinforce its technological strengths.

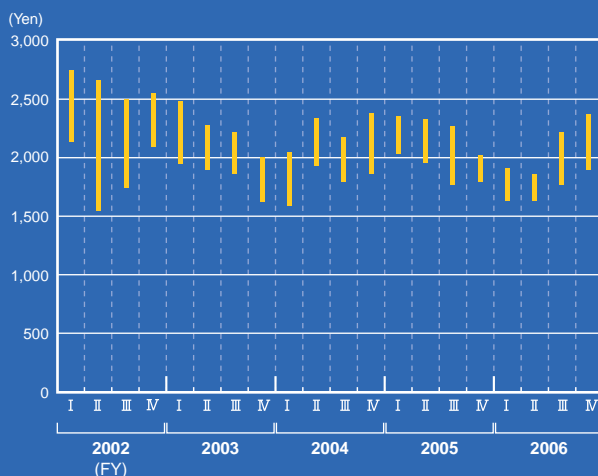
In fiscal 2006, the Ricoh Group released a number of new products in Office Solutions, including color MFPs and color laser printers, to fortify the product lines. We have succeeded in securing larger market shares by introducing the imagio Neo C600Pro (Aficio Color 5560 overseas), a new-generation color MFP that can copy or print 55 sheets per minute, the imagio MP C3000/C2500 series, which realizes high image quality with Ricoh's original polymerization method with color PxP toner and high security with the copy guard feature for the first time on a color model, and the imagio MP C1500, which features the Gel-Jet technology catering to low-end models.

In the high-end production printing market, the Ricoh Group launched the IPSiO SP 9500Pro (EMP156 overseas), a mainframe system printer that boasts high-speed printing of 156 sheets per minute and high durability, and three other models. Consequently, we now have a full line of printers from center printers to desktop printers, which customers can combine to create the most efficient printing environment for their needs.

The IPSiO G Series (Aficio G Series overseas), Gel-Jet printers released for the low-end business printer market, have been highly praised as business printers offering high-speed, high-quality cut-sheet printing, and low running cost. Our printing solutions have been increasingly embraced by our customers, who recognize the value of our TCO reduction solutions by combining copiers and printers and worldwide support and service structure. In our activities for documentation solutions, which improve work flow, we have provided software for integrating digital MFPs with mainframe systems, improved the support structure at technology centers in Japan, Americas, and Europe for proposing and implementing optimal environments for using such technologies, and reinforced the solution sales structure. In Industrial Products, the Ricoh Group has aggressively invested in markets and businesses where growth can be expected. One such example is the establishment of a thermosensitive paper production and sales company in China.

As for sales and service, the Ricoh Group integrated the maintenance and service units of domestic sales companies into Ricoh Techno Systems Co., Ltd. as a facet of improving the structure to reinforce customer service and the ability to recommend solutions. In development, we established the Ricoh Technology Center, which converges all the functions from the development of fundamental technologies for leading-edge color products to their design, production preparation, and product evaluation. As a result, we now have a more effective cross-functional development structure that can achieve greater product development efficiency.

● Common Stock Price Range



## Promoting Corporate Governance

The Ricoh Group promotes corporate governance with an aim of improving competitiveness while ensuring management transparency through corporate ethics and compliance principles.

In May 2006, the Board of Directors resolved the “Basic Policies Concerning Internal Control System” (refer to page 58). We will work to achieve sustainable growth and higher corporate value based on the policies.

## Achieving High Targets

We anticipate that customers' needs will become increasingly diversified, and the competition for colorization and other solutions will become even more fierce. For the Ricoh Group to continue growth and development amidst such tremendous changes in the market environment, it is vital that we focus investments on the three growth areas outlined in the 15th Mid-term Management Plan (printing, emerging market, and industrial field) and reinforce corporate competitiveness by creating new customer values and achieving highly efficient management. We will further increase sales and income, and improve corporate value, by generating income from the investments that we have made for growth, further reinforcing the business foundation, and aggressively reinvesting the generated income into growth areas and technological improvement.

To achieve its vision of being No. 1 in the 21st century, the Ricoh Group is committed to earning the unshakable trust of customers by providing them with new values through business activities that contribute to higher productivity and knowledge creation anytime, anywhere. We will strive to achieve sustainable growth and development while strengthening the relationship of trust with all stakeholders and winning the trust of society as a whole.

June, 2006



**Masamitsu Sakurai**  
Chairman of the Board  
President and Chief Executive Officer