

Setting new records in sales and operating income

In the year ended March 31, 2008 (fiscal 2008), the Ricoh Group set new records again in consolidated net sales and operating income and marked its 14th straight year of sales growth. Consolidated net sales grew 7.3% over the prior fiscal year to 2,219.9 billion yen (US\$22.2 billion). Operating income rose 4.1% to 181.5 billion yen (US\$1.8 billion). Net income declined 4.7% to 106.4 billion yen (US\$1.0 billion) primarily due to last year's gain from the sale of discontinued operations.

During fiscal 2008, the Ricoh Group grew sales across all of its produce lines: Office Solutions, Industrial Products, and Other. The Office Solutions segment was the leading locomotive of the growth, recording a continued increase in sales of digital plain paper copiers (PPC), multifunctional printers (MFP), printers, and other products both in Japan and overseas. In each product category, color products played a leading role.

Gross profit increased primarily due to bolstered sales of color MFP devices and other high value-added products, our ongoing cost reduction efforts, and to a lesser extent, favorable exchange rates.

Meanwhile, selling, general, and administrative (SG&A) expenses increased 8.5% from a year earlier to 746.2 billion yen. As the Group has been focusing on developing new products, its research and development (R&D) expenses remained at high levels, recording an increase of 11.0 billion yen from the year before to 126.0 billion yen (5.7% of net sales). Other major factors in the rise of SG&A expenses include our intensified efforts to extend the breadth of our business portfolio and to improve our capabilities to deliver optimal solutions to customers.

The Group's net income per share was 146.04 yen (US\$1.46) and return on equity was 9.9%. We announced an annual dividend per share of 33.00 yen (US\$0.33). This was the eighth year in a row that we have increased our dividend.

Slightly negative cash-flow due to aggressive investment for future growth

Free cash flow generated by operating activities and investing activities was a negative 3.9 billion yen (US\$40 million). Increase in cash disbursement due to the formation of a joint venture with IBM Corporation more than offset the increase in depreciation and assets due to the expansion of our business.

Total assets showed a decline of 29.0 billion yen from a year earlier to 2,214.3 billion yen (US\$22.1 billion). Shareholders' equity increased by 9.2 billion yen to 1,080.1 billion yen (US\$10.8 billion), reflecting the increase in retained earnings. Equity ratio improved by 1.1 percentage points to 48.8%.

Achievements in the final year of the 15th Mid-Term Management Plan

The Ricoh Group aims to help customers improve their business processes and productivity through its core Office Solutions business. To this end, we have been working to change the business structure of our Office Solutions whereby we will not merely manufacture and sell copiers, printers, and other equipment but offer optimal document management systems supported by digitized and networked imaging equipment.

In its 15th Mid-Term Management Plan, the Group strived to make its copiers and printers for general offices stronger constituents of its revenue base. We promoted a shift from black & white to color, and launched new products featuring advanced digital technologies and network connectivity in order to provide solutions that best suit customers' needs and the business environment. The Group has also focused on aggressively expanding its business in its targeted growth areas: production printing and low-end products.

In fiscal 2008, the final year of the 15th Mid-Term Management Plan, the Group expanded product offerings in the Office Solutions category, marketing a number of new color multifunctional copiers and color laser printers. With new products characterized by excellent environmentally friendliness, high image quality, and advanced security functions, the resulting

product lineup enabled the Ricoh Group to attain large market shares in color copier/multifunctional copier markets both in Japan and overseas.

In the low-end printer market, the Group marketed new color laser printers and GELJET printers. The former are as compact and highly productive as their black & white peers, and the latter feature advanced versions of Ricoh's original GELJET technology.

The Ricoh Group's products, customer contact, and support services have received external recognition for their excellent quality. Ricoh ranked highest in customer satisfaction with both color printers and black & white printers in the 2007 Japan Printer Satisfaction Study by J.D. Power Asia Pacific. Ricoh also marked highest scores both for color machines and black & white machines in the 2007 Japan Copier/Multifunction Product Customer Satisfaction Study by this global customer satisfaction research firm. Furthermore, Ricoh Technosystems Co., Ltd. received the highest evaluation for system planning and construction for the second consecutive year in J.D. Power Asia Pacific's 2007 Japan Solution Provider Satisfaction Study.

In June 2007, Ricoh established InfoPrint Solutions Company, a joint venture company with IBM, to gain a stronger foothold in the production printing market. Creating synergy between the Ricoh Group's strengths in hardware and software development and production and InfoPrint's strengths in service, software, and IT solutions, the Ricoh Group provides superb output solutions for business customers to meet their office printing, industrial printing, large printing systems, commercial printing and various other needs.

In the Industrial Products business, a new thermal media factory in China started operation in fiscal 2008, which has enabled us to ensure high product availability in the Chinese market, a highly promising market. Ricoh's semiconductor products such as power supplies ICs for mobile phones have attained leading market shares worldwide.

We also focused on strengthening our business infrastructure on an ongoing basis to facilitate the execution of

our growth strategies. We integrated our sales and service subsidiaries in Europe, the Americas, and Japan to strengthen our sales networks and to make them more efficient. We also achieved substantial improvements in our design and development processes by employing a cross-functional structure and implementing operational reforms at the Ricoh Technology Center, our centralized function for design and development.

Going forward with the 16th Mid-Term Management Plan

Under its 16th Mid-Term Management Plan (for the three years from fiscal 2009 to 2011), the Ricoh Group will aim to earn even greater trust from customers. Intensifying our customer-centric approach, we are committed to providing products and services that meet and exceed customers' expectations.

Our Office Solutions segment, in particular, is well positioned to meet increasingly diversified demands from a greater number of customers and ultimately become a more powerful mainstay of our business. To make it happen, we will leverage our excellence in customer contact, solutions, and image processing technologies, as well as global coverage and the breadth and depth of our product mix.

Specifically, we will continue to strive for greater customer value by addressing customers' prioritized issues, i.e., workflow, security, "TCO (total cost of ownership)," compliance, and the environment. We will also help our customers improve their business productivity through our printing solutions and document solutions. The former delivers efficient networking of multiple copiers and printers and the latter develops and implements file server-based central systems for storage, search, and output. Furthermore, we are planning to launch a Businesses Process Outsourcing business in which we can demonstrate our competitive edge. To help execute such a multifaceted strategy, the Ricoh Group intends to develop solution platforms and enhance its solution sales structure.

The Group will also aim at expanding its business portfolio

in the printing market. To achieve this, we will enhance low-end categories by making our color laser printers and GELJET printers even more attractive to customers and enter the production printing segment as early as practicably possible.

In the Industrial Products segment, our resource allocation policy is to prioritize business areas having high growth potential. We will also intensify collaboration with other technological and business areas to create new businesses.

In both the Office Solutions and the Industrial Products segments, the Ricoh Group will strive to identify and capture opportunities in emerging markets.

We recognize that technology-driven competitiveness is the key to generating and increasing customer value and improving the profitability of each segment. To these ends, the Ricoh Group will continue to make its utmost efforts to further enhance its technological capabilities.

Harvesting the fruits of prior investments and leaping forward

In a rapidly changing business environment marked by increasingly diversified customer needs and intensified competition in various fields, such as color products and solutions services, the Ricoh Group is determined to continue to grow for many years to come and thus establish and strengthen its position as a leading global brand. We believe that whether we can achieve this goal is dependent on our efforts to increase our competitiveness by creating customer value and improving management efficiency.

To deliver greater value to our customers, we will place more emphasis on Ricoh's customer satisfaction-oriented approach in our business operations. We will also continue translating Ricoh's three core values—i.e., Harmonize with the environment, Simplify your life & work, and Support knowledge management—into our products and services. In other words, we aim to create “customer delight.”

In addition, the Ricoh Group will continue to improve business efficiency to beef up the earnings strength of the Group as a whole as well as each business segment. We will continue our structural reform of development, production, marketing and other necessary functions, select and focus on strategically important businesses, and further our improve business processes. We will work diligently to ensure that the investments we have made for future growth bear fruit in generating profit.

Then we will reinvest the generated profits in business areas with a high growth potential and in our efforts to develop our technological capabilities. By doing so, the Ricoh Group will pursue both top-line and bottom-line growth and greater enterprise value.

With its group vision “A Winner in the 21st Century” (build a strong global RICOH brand), the Ricoh Group has been operating its business aggressively as a leader in office equipment evolution in our advancing information society and as a reliable supporter for productivity improvement and knowledge creation for our customers. Going forward, we will remain committed to creating customer-centric value based on our sophisticated technologies. We will also aim to earn even greater trust from customers and grow further as a leading global corporation. To be valued by society at large, we will continue to strengthen trusting relationships with all stakeholders. In this way, the Ricoh Group—an ever-evolving enterprise—will continue its journey.

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Shiro Kondo
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Masamitsu Sakurai
Chairman