

To OUR SHAREHOLDERS AND CUSTOMERS

Digital in
NETWORKING

Record Challenges, Record Results

Fiscal 1999 was one of our toughest years for a long time. But it was also a period in which Ricoh continued to meet the challenges of the marketplace and seek new ways to maximize customer satisfaction. Net sales gained 1.6%, to ¥1,426.0 billion (\$11,785 million). This reflected excellent growth overseas, which offset incredibly difficult conditions in Japan. Net income was up 1.7%, to ¥30.7 billion (\$253 million). This was partly because taxes decreased.

While both results were record highs, we would not be ecstatic about them in an ordinary year. After all, we have achieved considerably better growth rates since the mid-1990s.

But this was no ordinary year. The Japanese economy was depressed, deflationary, and craving for credit. We naturally found the domestic marketplace extremely selective. But in a true measure of our commitment to customer satisfaction, we demonstrated that our computer-connective products—particularly multifunctional digital copiers and printers—can clearly contribute to office efficiency and productivity. More about that later.

Overseas, conditions were tough throughout Asia. That is not surprising. We did extremely well in Europe and the United States, however, building on the momentum generated by Aficio, our global brand for digital office equipment.

Basic net income per share was ¥44.33 (\$0.37). Fully diluted net income per share was ¥40.94 (\$0.34). Return on equity was 6.4%, off 0.3 percentage point.



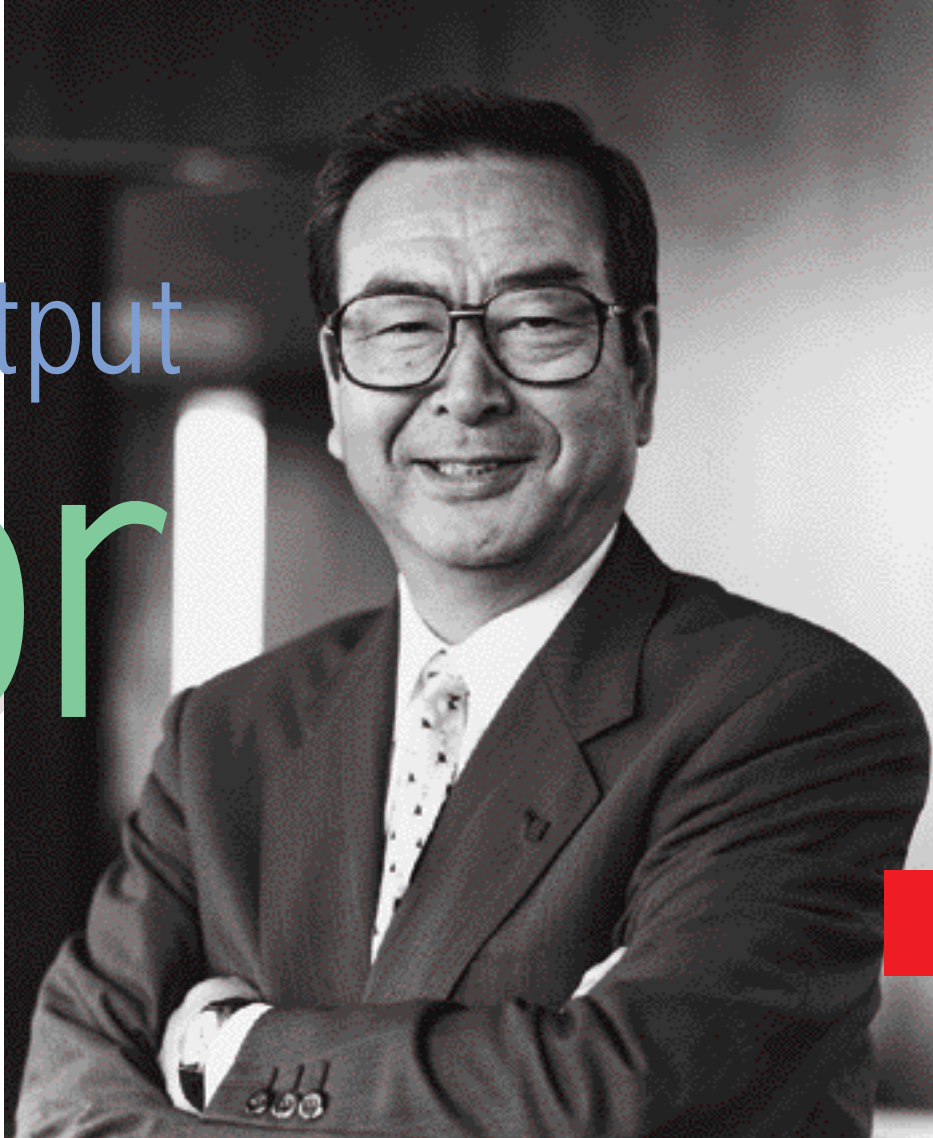
HIROSHI HAMADA
Chairman



DOCUMENT SOLUTIONS

input/output

for



MASAMITSU SAKURAI
President

Comprehensive Document Solutions

We completed our 12th medium-term management plan in fiscal 1999. Our mission during the three years was to go on a marketplace offensive while restructuring, reengineering, and building on our core competence of Image Communication to defend and expand our territory. Put simply, we drove to become the leading provider of comprehensive document solutions with our many office output systems. An important achievement in that regard was the expansion of our domestic office printer business in summer 1998.

Demand for reliable printers has soared because offices are increasingly networked. In Japan, Ricoh now offers a full regiment of color and monochrome laser printers, as well as inkjet machines. We are pleased to report that all these products were instant hits.

We also brought out an exciting new line of color digital copiers domestically and internationally. These enjoyed similar success. Just as pleasing, a J.D. Power Asia Pacific survey found that we were Japan's No. 1 in customer satisfaction for plain-paper copiers for the fourth consecutive year. We also rocketed to first place in the office printer segment, which augurs well for the years ahead.

Grow Value

New Plans, New Vision

Despite our achievements, it is more important than ever to drive forward. The goal of our new 13th medium-term management plan is to become a more outstanding company in the next millennium. But to get there we must retain both customer and community trust. We must constantly generate new value for all with a stake in Ricoh, and be influential, global, and a market leader.

The new plan comprises three basic objectives, each with specific calls to action:

- I. *Overhaul Group management to become a more valuable enterprise.*
 1. *Improve customer satisfaction and the Company's competitive position* by providing useful solutions, building on our prominence in environmental management, and innovating products and systems with appliance-like operability.
 2. *Maximize shareholder value by adopting new measures of management performance* and accordingly evaluating all operations, emphasizing consolidated Group management, and most efficiently allocating and using Group resources.
 3. *Invigorate our people and organization and foster our corporate culture* by introducing a more results-oriented management system.

- II. *Build a growth-based business and earnings structure and bolster our technological capabilities.*
 1. *Reform the business and earnings structure* to create a solid cash position. And we will target growth businesses to expand our operational scope and establish high-return models. In the core copiers and supplies area, we will improve our cash position to allocate resources to new growth areas like printers and solutions.
 2. *Pursue global, yet locally focused, expansion* by setting up the best sales channels in each market while building our solutions business. We will also provide more products that satisfy de facto standards worldwide.
 3. *Bolster our technological capabilities to support our business structure reforms.* We will do this primarily by clarifying areas that need improving, strengthening the links between core businesses and information technology, and revamping technology management.



III. Solidify cash flow management and make Ricoh a low-cost operation.

- 1. Forge ahead with our Group Cash & Cost (G-C&C) strategy* to shorten lead times and trim inventories. At the same time, we will overhaul our approach to manufacturing, slash development cycles and costs, and reform the personnel cost structure.
- 2. Rebuild information systems to support reforms of all business processes.* G-C&C initiatives will alter business processes, trim inventories, shorten lead times, and slash costs. These efforts will build on the Ricoh Product Development System, an ongoing cost-cutting program introduced several years ago. We will also establish a new supply chain that encompasses procurement, production, and sales.

In Conclusion

Finally, our projections for fiscal 2000 are solid. We expect net sales to rise 2.4%, to ¥1,460 billion. Net income should climb 10.9%, to ¥34 billion, reflecting higher sales, better inventory controls in fiscal 1999, and a lower cost structure.

Of course, we cannot guarantee these figures. Nonetheless, we will do our best to ensure that in these and other areas we continue to make Ricoh a more valuable company.

June 29, 1999

Sincerely,

Hiroshi Hamada, Chairman

Masamitsu Sakurai, President