

Interim Period Results and Fiscal 1999 Outlook

1. Interim Period Results

Japanese economic conditions were very tough in the first half of fiscal 1999, ended September 30, 1998. Personal consumption continued to slow down. Private sector capital investment plummeted. Anxiety about the nation's financial system deepened. The world economy became cloudy. Asian economies remained stagnant, overshadowing a boom in the United States.

Ricoh responded to this situation by striving to reinforce management's dedication to customer satisfaction (CS). We focused primarily on improving CS and competitiveness.

We augmented our networked product lineup with new color laser printer and inkjet printers under the IPSiO brand name. We also broadened our IMAGIO MF series (Aficio series overseas) of multifunctional digital copiers with such offerings as the high-speed, networkable IMAGIO MF6550 (Aficio 650 overseas).

In August 1998, a Chinese manufacturing subsidiary started making copier supplies. This move added Asia to supply systems in Japan and Europe.

In these and other ways, we worked companywide to develop new products, expand sales, and strengthen our production system.

Consolidated net sales for period increased 2.4% year-on-year, to ¥708.4 billion. This reflected the yen's depreciation, which offset lower domestic demand and the effects of a lackluster Asian economy. Nevertheless, income before income taxes plunged 30.5%, to ¥22.4 billion. Net income was off 7.8%, to ¥12.1 billion. Both drops reflected slow domestic sales, which intensified price competition.

On a non-consolidated basis, net sales were down 3.6%, to ¥355.2 billion.

Ordinary income fell 6.8%, to ¥19.6 billion. After realizing an extraordinary loss in investment securities, non-consolidated net income decreased 22.5%, to ¥9 billion.

We maintained interim cash dividends at ¥5.50 per share (Payments will start on December 10).

2. Fiscal 1999 Outlook

The Japanese government's additional economic measures offer some hope for the Japanese economy. Nonetheless, conditions will remain difficult, as we do not expect personal consumption and private sector capital investment to recover soon. Furthermore, currency trends have become even more indeterminate. The global economy will possibly deteriorate because the direction of the U.S. economy is increasingly unclear.

We will therefore strive to innovate technologies and products while reinforcing our sales and service systems. For example, we will actively provide customers with office solutions. We will also solidify our management and business foundations to overcome such factors as Japan's chronic recession and a global deflationary threat. We will do this by using our resources more efficiently and by improving cost-competitiveness.