

## Overview of Fiscal 1999 Results and Outlook

### Performance

In fiscal 1999, ended March 31, 1999, Ricoh bolstered its customer satisfaction-oriented (CS), high-value-added operating structure as part of its 12th medium-term management plan (from fiscal 1997 through 1999). At the same time, it strove companywide to develop products that meet customer needs, aggressively market, and reinforce its production and supply structures.

Fiscal 1999 was the last year of the three-year management plan. A J.D. Power Asia Pacific survey supported our CS management approach. It found that Ricoh was Japan's No. 1 in CS for plain-paper copiers for the fourth consecutive year. The Company also scored top spot in office printers for the first year. In addition, we concentrated on developing and launching offerings that are easy to use and maintain while enhancing services. At the same time, Ricoh solidified its systems solutions operations, to more match changing office environments, and strengthened its competitive constitution.

Ricoh reviewed the functions of all Group companies to improve operating efficiency and speed. As part of this effort, it took steps to more effectively harness resources and strengthen the Group production, sales, and service structure. Responding to an adverse operating environment, the Company pushed forward with a groupwide initiative to build its cash position to help it better use operating resources.

### (1) Consolidated Performance

Ricoh registered record consolidated revenues sales for the fourth year running. Net sales were up 1.6%, to ¥1,425.9 billion.

In copiers, new products offering color and high-speed digital capabilities contributed to sales. Nonetheless, Japan's deepening recession outweighed these gains, thereby depressing domestic sales.

Ricoh did well overseas, however, particularly in Europe and the United States, by investing heavily in overseas sales with the aim of raising its overseas business ratio to serve the booming markets. As a result, copier sales improved 1.8%, to ¥906.9 billion.

In information equipment, we responded to rising demand for networking with several new offerings. We supported these products with expanded marketing. Most of our growth here was domestic. As a result, sales in this category climbed 1.6%, to ¥327.5 billion.

Our performance also improved in other businesses, particularly in Japan and Europe. Here, sales gained 0.9%, to ¥191.5 billion.

The cost of sales increased as a percentage of net sales in fiscal 1999. This was because Ricoh experienced several extraordinary expenses, principally to shift production offshore and otherwise adjust manufacturing through inventory shrinkage. Selling, general and administrative expenses rose in line with lower sales in Japan because of the recession, and the restructuring of our subsidiaries and affiliates. As a result of these factors, operating income fell 18.0%, to ¥73.5 billion. Income before income taxes was off 22.5%, to ¥53.0 billion. This reflected lower operating income and a ¥5.3 billion loss in holdings in a company that went bankrupt. Corporate and other taxes dropped, however, allowing the Company to boost net income 1.7%, to ¥30.6 billion—a record high for the fifth consecutive year.

### (2) Nonconsolidated Performance

Ricoh's nonconsolidated sales were hit hard by stagnant demand as a result of Japan's prolonged recession. Exports rose in the first half of the year in line with the yen's depreciation, but plunged in the second half as the yen rallied. As a result, nonconsolidated net sales declined 4.3%, to ¥720.5 billion.

The revenue decrease outshaded companywide cost-cutting. Operating income therefore fell 8.2%, to ¥42.8 billion, while ordinary income was down 16.1%, to ¥36.0 billion. In addition, extraordinary income included ¥2.5 billion in proceeds from marketable securities sold as part of restructurings at affiliates.

Extraordinary expenses included ¥5.0 billion to cover adjustments and support for subsidiaries and ¥3.6 billion in unrealized losses on investment securities. Consequently, nonconsolidated net income dropped 15.7%, to ¥18.9 billion.

## Outlook

We expect the Japanese economy to remain stagnant in fiscal 2000. A turnaround is still a long way off. We are also concerned that Western economies might slow down and that an Asian recovery will be delayed. Ricoh's operating environment domestically and abroad will therefore continue to be tough.

Against this backdrop, the Company has launched its 13th medium-term management plan. Through this initiative, we aim to become an outstanding global company in the 21st century. We are thus working to create more value through group improvements. Specifically, we will revamp operations by stepping up CS-oriented management while focusing on cash flow to boost shareholders value.

We will also endeavor to bring out exciting new Image Communication products while cultivating new markets. In line with those goals, we will bolster our technological capabilities and cut costs across the board, thereby revamping our business composition. In addition, we will strengthen and expand our office solutions efforts.

We will be more selective and focused. We will also accelerate decision-making, reinforce our management structure, and strive to improve performance.

At the same time, we will pursue groupwide activities to protect the environment—a crucial management priority. We will achieve further progress in our environmental action plan and reduce environmental impact by saving energy and resources and preventing pollution.

The projections for fiscal 2000 are as follows:

### 1. Consolidated

Net sales	¥1,460.0 billion (+ 2.4%)
Operating income	¥81.0 billion (+ 10.1%)
Income before income taxes	¥61.5 billion (+ 15.9%)
Net income	¥34.0 billion (+ 10.9%)

### 2. Nonconsolidated

Net sales	¥740.0 billion (+ 2.7%)
Operating income	¥44.0 billion (+ 2.7%)
Ordinary income	¥39.0 billion (+ 8.2%)
Net income	¥22.0 billion (+ 15.9%)