

Policies and Performance

1. Policies

In fiscal 2000, ended March 31, 2000, Ricoh improved its performance by stepping up customer satisfaction efforts to build a superior competitive position. At the same time, we bolstered efficiency by overhauling our management system. Our customer satisfaction-oriented management reforms won excellent recognition during the year. The Japan Productivity Center for Socio-Economic Development awarded us the 1999 Japan Quality Award. Our initiatives helped raise our shareholder value and build corporate value.

We are endeavoring to maintain profitability by reinforcing our foundations in imaging equipment while creating a growth-based operating and earnings structure and strengthening our technological capabilities. In the year under review, we concentrated our resources on printers, an area with excellent potential, and on customer solutions businesses. An important advance in the latter area was Ricoh Presentation 21, a series of nationwide exhibitions that highlighted everything from our management vision to case studies of business improvements drawing on information technology.

We dramatically improved our cash flow during the term by restructuring operations. This effort included strategically reviewing unprofitable operations. In addition, we pursued groupwide activities to build cash flow by altering the earnings structure.

Safeguarding the environment and community involvement are also key focuses for Ricoh. We have earned high marks from customers and shareholders alike for our ongoing environmental protection endeavors and environmental management system, which aim to help society better recycle its resources.

Ricoh thus increased consolidated net sales and net income for the sixth and eighth year running. Net income was a record high for the sixth consecutive year.

Ricoh's basic dividends policy is to maintain stable shareholder returns by becoming more profitable, retaining enough earnings to reinforce the corporate structure and support new business areas. We channel retained earnings primarily into areas with superior medium- and long-term potential.

We expect the operating environment to remain tough in fiscal 2001. We will overcome the challenges by pushing forward with management reforms centered on improving customer satisfaction and competitiveness.

We will solidify our core business of copiers and other imaging equipment, expanding sales by reinforcing our technological capabilities to commercialize more products.

We will continue to allocate more resources to our high-growth printer and solutions businesses. In printers, we aim to beat the competition to market by offering high-value-added models based on proprietary technologies. We intend to expand market shares in color and mid-volume monochrome machines. In our solutions business, we will tailor more proposals and support options to customer requirements. We will aggressively market over the Internet to make it easier for customers to buy our products, at lower cost.

At the same time, we will revamp our supply chain structure, including relationships with business partners, as part of a drive to maximize customer satisfaction and enhance efficiency.

Furthermore, to meet the demands of a rapidly changing management environment, we have decided to reform our corporate governance. In the first instance we will adopt a Corporate Executive Officer system to speed up group action. This entails a separation of roles between senior directors who are also board members and the newly appointed Corporate Executive Officers. In addition we will appoint external directors to broaden the scope of our business. Senior directors will decide on matters relating to group growth and corporate value while Corporate Executive Officers assume operational responsibilities. The new system will enhance our strategic capability and speed up our response speed.

2. Performance

1) Overview

During the year under review, the Japanese economy showed signs of recovery amid small gains in capital investment. But conditions remained generally adverse because consumer spending remained sluggish. The United States went from strength to strength. European economies enjoyed steady growth, while Asia was generally on track to recovery.

<Consolidated Results>

Consolidated net sales advanced 1.5%, to ¥1,447.1 billion, the sixth consecutive gain.

Overseas sales dropped 5.1%, to ¥573.9 billion, reflecting the impact of a higher yen. Domestic sales climbed 6.4%, to ¥873.1 billion.

Sales of office equipment expanded amid soaring demand for multifunctional color copiers. Popular new offerings included the IMAGIO MF8570, a fast multifunctional digital model. Sales of our printer and solutions businesses surged in line with their synergies. Color printer sales were especially strong. Overseas, color and other copier sales were excellent under the Aficio banner. We continued preparations to expand Aficio brand sales through printers and solutions offerings. We performed well domestically despite the recession. The high yen hampered our performance in yen terms, although sales in Europe and the United States were favorable, partly because of efforts to streamline our marketing channels. As a result of these factors, sales in this business category improved 0.2% from a year earlier, to ¥1,225.3 billion.

In other businesses, our semiconductor operations benefited greatly from a strategic shift to analog areas. Sales of other businesses were up 10.9%, to ¥194.0 billion.

Operating income jumped 20.9%, to ¥88.9 billion. This was primarily because of improved plant operating rates and lower manufacturing costs, as well as turnarounds in unprofitable businesses that offset the effects of the yen's rise. Income before income taxes surged 32.7%, to ¥70.3 billion. Net income soared 36.8%, to ¥41.9 billion, the eighth consecutive improvement.

At year-end, net cash provided by operating activities stood at ¥135.6 billion, up 27.1% from the close of fiscal 1999, on the strength of higher net income and the boost of more efficient asset management. Net cash used in investing activities was ¥28.4 billion, a 68.1% decline. We allocated most of this cash to expenditures for plant and equipment. The free cash flow generated by operating and investing activities totaled ¥107.1 billion, a fivefold increase. This allowed us to reimburse corporate bonds and debts and maintain dividends. Our cash flow for the year included additional deposits of ¥50.0 billion based on corporate bond underwriting contracts. Financing activities reflected the repayment of corporate bonds for this amount. Therefore, cash and cash equivalents at the close of fiscal 2000 were ¥111.8 billion, down ¥18.8 billion or 14.4%. This amount included a foreign exchange fluctuation effect of ¥4.7 billion.

<Nonconsolidated Results>

Nonconsolidated net sales rose 7.9%, to ¥777.5 billion. This was due primarily to booming domestic sales of printers and the popularity overseas of our digital copiers, which reduced the impact of the high yen.

Operating income improved 35.9%, to ¥58.2 billion. This reflected the higher net sales, increased productivity owing to lower manufacturing costs, and overall expenditure reductions. Ordinary income soared 39.1%, to ¥50.1 billion. We registered an extraordinary loss of ¥12.7 billion to transfer funds from the allowance for retirement allowances to cover a shortfall in our employee retirement scheme. Nonetheless, net income surged 19.2%, to a record ¥22.6 billion.

At the annual general meeting of shareholder, Ricoh will propose maintaining parent company cash dividends per share of common stock at ¥11.00, including an interim dividend of ¥5.50 per share.

2) Outlook

Ricoh expects the U.S. economy to remain stable in fiscal 2001. European and Asian economies should continue to expand steadily. Despite some progress, the outlook for the Japanese economy is still unclear. Our operating environment will be again very challenging because of the possibility that the yen may rise further and because competition should continue to intensify.

Ricoh intends to expand sales in the year ahead in the core copier business by drawing on its line of high-speed monochrome machines launched last year while reinforcing its range of color models. In the high-growth printer business, we will broaden our product range and marketing capabilities, particularly in color models. We will also reinforce service and support to complement our greater reach, thus comprehensively maximizing customer value. In addition, we will use sales over the Internet to provide new value. Through such approaches, we will endeavor to strengthen groupwide management and again achieve record consolidated and nonconsolidated revenues and earnings.

The forecast for fiscal 2001 are as follows:

1. Consolidated

Net sales	¥1,500.0 billion (+ 3.7%)
Operating income	¥100.0 billion (+ 12.5%)
Income before income taxes	¥85.0 billion (+ 20.8%)
Net income	¥48.0 billion (+ 14.5%)

2. Nonconsolidated

Net sales	¥810.0 billion (+ 4.2%)
Operating income	¥59.0 billion (+ 1.3%)
Ordinary income	¥53.0 billion (+ 5.8%)
Net income	¥27.0 billion (+ 19.4%)

These forecast assume the following foreign exchange rates:

US\$=105 yen

Euro=105 yen

Ricoh has issued forecast for its financial results for the fiscal year ending March 2001. These forecast are forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties.