

## Policies and Performance

### 1. Policies

#### (1) Basic Management Policies

The Ricoh Group's vision is to be a winner in the 21st century. Under that banner, we aim to retain customer and community trust, secure top market shares by building new value, and become an outstanding global business that is highly influential within the office equipment industry.

To help raise office productivity, we have centered our operations around the concept of Image Communication, through which we globally offer products and services that customers truly need.

Our 13th medium-term management plan, a three-year initiative that ends in March 2002, has three prime objectives for the entire Ricoh Group:

- Renovation of group management with the aim of increasing corporate value
- Reform of business and profitability Structure with the aim of maintaining steady growth and bolstering technological capabilities
- Reinforcement of cash flow management and realization of low cost business structure

#### (2) Dividend Policy

The Ricoh Group endeavors to ensure stable dividends by boosting profitability while increasing retained earnings to reinforce its corporate structure and cultivate new businesses. Ricoh uses those retained earnings to strengthen core businesses and invest in new fields from medium- and long-term perspectives.

#### (3) Medium- and Long-Term Management Strategies and Management Structure Initiatives

The Ricoh Group's prime management priority in building corporate value is to improve customer satisfaction, which is at the heart of management strategies and policies. In fiscal 2001, ended March 2001, a J.D. Power Asia Pacific survey placed Ricoh first in customer satisfaction among Japanese copier makers for the sixth year running. This heightened profile helped generate the solid results of fiscal 2001.

The Ricoh Group is restructuring so it can keep expanding corporate value under the most challenging operating conditions. We target overall strengths based on individual reforms. In other words, each Group company and divisions works to reinforce its own competitiveness. We will become more valuable by combining the strengths of all Group members.

The Ricoh Group took two major steps in fiscal 2001 to realize those goals. First, it transferred authority and responsibility to "individual businesses" by instituting an executive officer system. Second, it appointed external directors to the board, thus bolstering "overall capabilities." We will continue to reform Group management so we can swiftly and dynamically tackle the challenges of change.

Our basic strategies for delivering growth are to:

- Expand our market share in networked imaging systems
- Deploy printing solutions
- Strengthen our operations in five key regional markets worldwide (Japan, the Americas, Europe, Asia and Oceania, and China)

Over the past year, we have launched many advanced, highly competitive products and services that deliver ease of use. For example, in networked imaging systems, where we aim to expand our market share, and in printing solutions, we addressed growing demand for color offerings by releasing the IPSiO Color 8000 laser printer, which is a class leader in terms of its speed and reproduction quality. The Imagio Neo 350/450 series of digitally networked multifunctional printers (MFPs) received the 2000 Energy Saving Prize from Japan's Minister of Economy, Trade and Industry. The Ridoc Document System is a user-friendly paperless setup that enhances document management.

As part of an ongoing globalization drive, in January 2001 Ricoh acquired Lanier Worldwide, Inc., which sells and services office imaging equipment in the American and European markets. This move particularly reinforced Ricoh's direct sales network in the United States, allowing it to expand solutions businesses for its customers.

The Ricoh Group is doing much to create a low-cost, high-efficiency management structure and thereby combat a deflationary operating environment. For example, we are constructing a supply chain management system that allows us

to simultaneously raise customer satisfaction while expanding cash flow. We are also endeavoring to ensure low-cost development and production.

#### (4) Challenges

The Ricoh Group's business growth strategies have translated into solid performances. Nonetheless, we fully recognize the many challenges ahead. They include market changes, such as rivals' introductions of color and digitally networked equipment and the rapid spread of Internet usage. Customer needs are diversifying as a result. It is increasingly crucial to keep cultivating technologies and sales channels so we can respond to such market changes and to become more profitable.

The Ricoh Group will address these challenges by strengthening its technological capabilities, thereby bolstering customer satisfaction, while swiftly deploying and reinforcing our strategies.

We have evaluated ways to ensure that our commitment to the environment remains sustainable. As part of that effort, we are moving away from mere environmental compliance and protection toward environmental management, through which we can profitably benefit.

## 2. Performance

### (1) Overview

	(Billions of yen)		
	Year ended March 31, 2001	Year ended March 31, 2000	Change
Net sales .....	1,538.2	1,447.1	6.6%
Domestic sales .....	930.4	873.1	5.9%
Overseas sales .....	607.8	573.9	5.9%
Gross profit .....	613.3	580.0	5.8%
Operating income .....	105.1	88.9	18.2%
Income before income taxes .....	97.7	70.3	38.9%
Net income .....	53.2	41.9	27.0%
Net income per share-basic (yen).....	76.85	60.61	+16.24
Net income per share-diluted (yen).....	71.02	56.06	+14.96
Return on equity (%).....	9.7	8.1	+1.6% points
Income before income taxes on total assets (%)....	6.0	4.4	+1.6% points
Income before income taxes on net sales (%) .....	6.4	4.9	+1.5% points
Total assets .....	1,704.7	1,543.3	+161.4
Shareholders' equity .....	556.7	541.5	+15.2
Debt .....	538.9	515.1	+23.8
Equity ratio (%).....	32.7	35.1	-2.4% points
Equity per share (yen).....	803.64	782.43	+21.21
Cash flows from operating activities:.....	102.7	135.6	-32.9
Cash flows from investing activities:.....	-62.7	-28.4	-34.2
Cash flows from financing activities:.....	-88.3	-121.2	+32.8
Cash and cash equivalents at end of year.....	64.4	111.8	-47.3
Exchange rate (US\$) .....	110.60	111.52	-0.92
Exchange rate (EURO).....	100.41	111.53	-14.94
Expenditure for plant and equipment (billions of yen)	73.3	58.3	+15.0
Depreciation for tangible fixed assets (billions of yen)	62.1	61.9	+0.2
R&D Expenditure (billions of yen).....	78.2	66.5	+11.7
Number of employees (Japan) (thousand people).	40.5	41.3	-0.8
Number of employees (Overseas) (thousand people)	33.8	26.0	+7.8

\*Overview

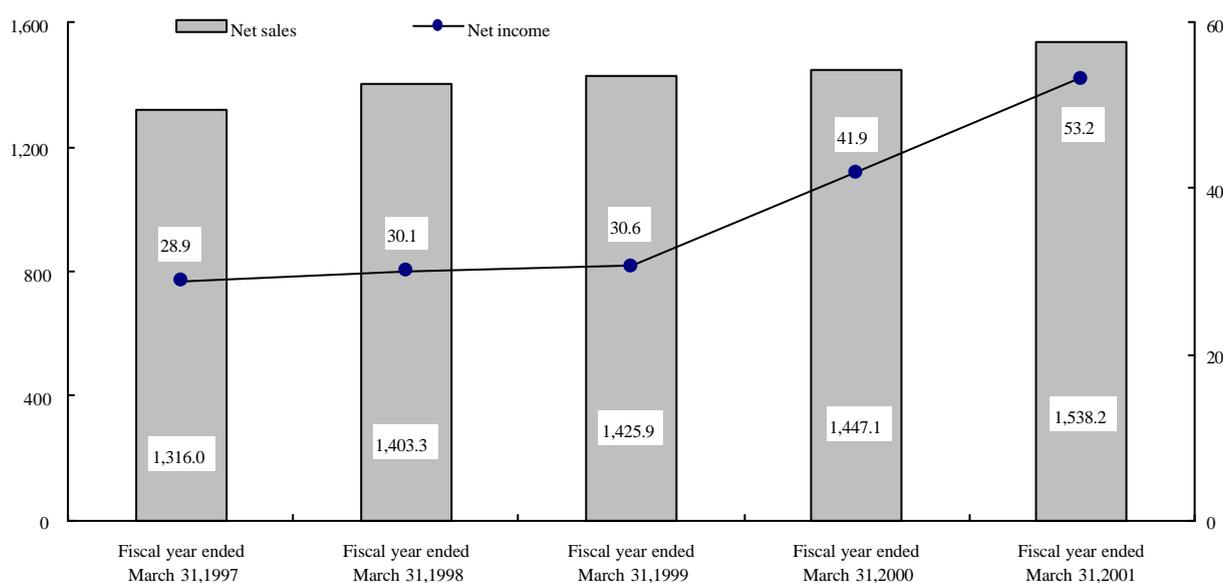
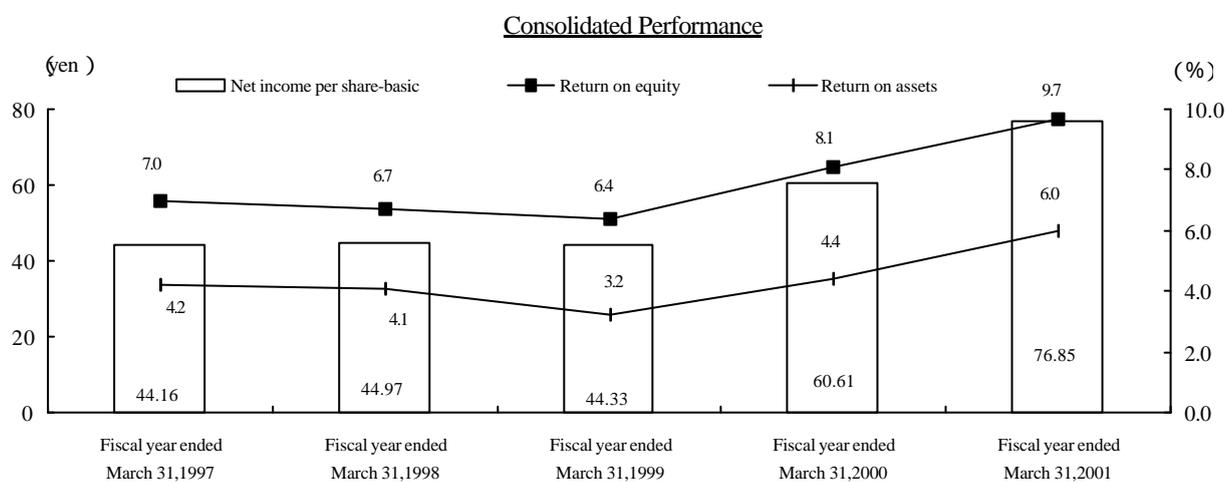
-Consolidated net sales climbed 6.3% from a year earlier, to ¥1,538.2 billion-the seventh consecutive increase. For your reference, if the exchange rate had remained the same as the previous year, the growth would have been 9.2%.

-Domestic sales advanced 6.6%, while overseas sales were up 5.9% after factoring in the higher yen. If the exchange rate had remained the same as the previous year, the growth would have surged to 13.2%. These gains reflected dramatic increases in sales of MFPs and other printing systems, as well as expansion of optical discs and semiconductor businesses.

-Operating income jumped 18.2% on the strength of improved unit sales of high-margin MFPs and enhanced profitability in other operations. In the non-operating income/expenses area, improvement of financial income/expenses and reduction of foreign exchange losses caused income before income taxes to rocket 38.9%.

-As a result of these factors, net income surged 27.0%--the ninth consecutive increase.

-At the annual general meeting of shareholders, Ricoh will propose increasing cash dividends per share of common stock ¥1.00 per share to ¥12.00, including an interim dividend of ¥6.00 per share.



\*Consolidated Sales by Category (excluding foreign currency exchange effect)

Imaging Solutions

Digital Imaging Solutions

Ricoh strengthened its digital plain-paper copier (PPC) lineup with such new offerings as the Imagio MF 105Pro, the Imagio Color 3100, and Imagio Neo 350/450 series, thus boosting sales in this subsegment by 8.2%. Especially overseas sales grew 12.5%.

Other Imaging Solutions

Sales fell 13.2% in line with Ricoh's switch from analog to digital models and MFPs.

Network Input/Output Systems

Printing Systems

The Ricoh Group is striving to expand its range of printing equipment domestically and abroad while stepping up its printing solutions. During the year under review, we brought out new MFPs and responded to rising demand for color products by commercializing such models as the IPSiO Color 8000, a fast, high-resolution printer. As a result, sales of core network input/output systems rocketed 59.7%.

Other Input/Output Systems

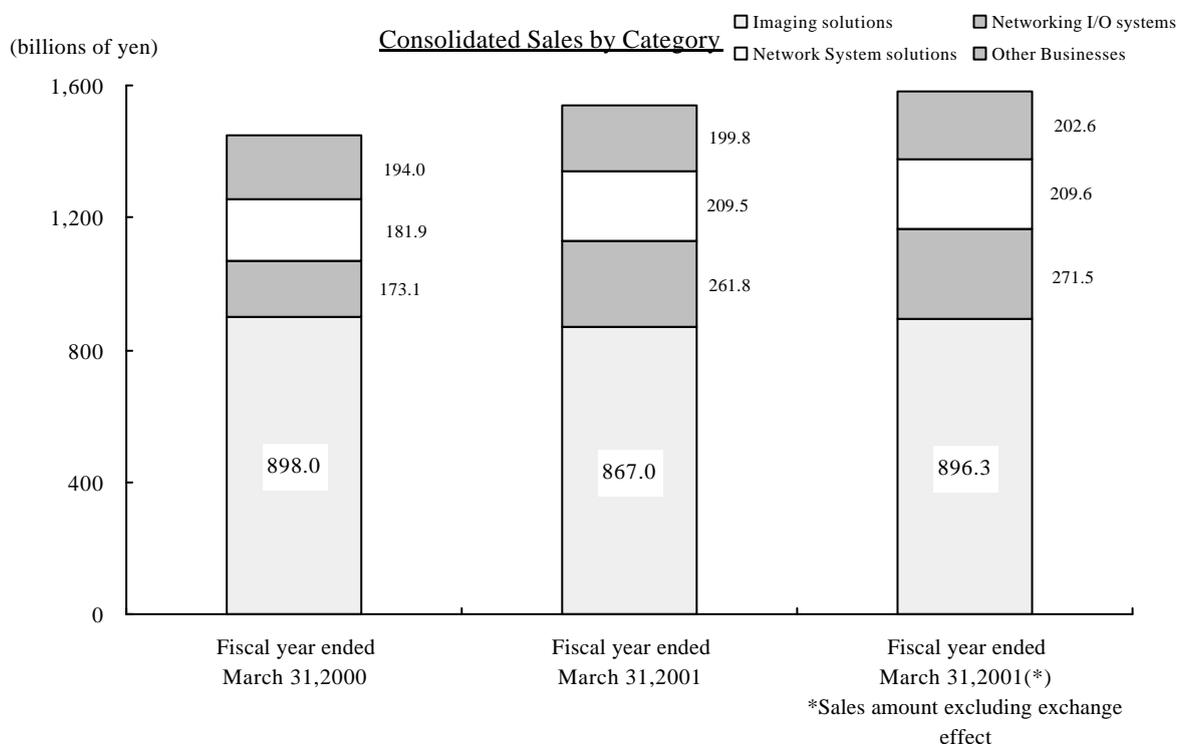
Sales of other input/output systems gained 44.2%, reflecting the solid performance of Ricoh's optical disk business.

Network System Solutions

In this area, the Company strengthened solution businesses, such as PCs, useware, and document solutions, in response to customer demand for networks. As a result, sales in this segment rose 15.2%.

Other Businesses

Ricoh expanded semiconductor sales on the strength of replacement demand for large-scale integrated circuits used in cell phones and other mobile communications equipment. On the negative side, sales of metering equipment declined. As a result, sales of other businesses were up just 4.4% from a year earlier.



\* Consolidated Sales by Geographic Area

Japan

The Company strengthened printing solutions business centered on MFPs, as well as network solutions. In addition, optical discs and semiconductor businesses also progressed. Consequently, the sales increased to 6.6%.

The Americas

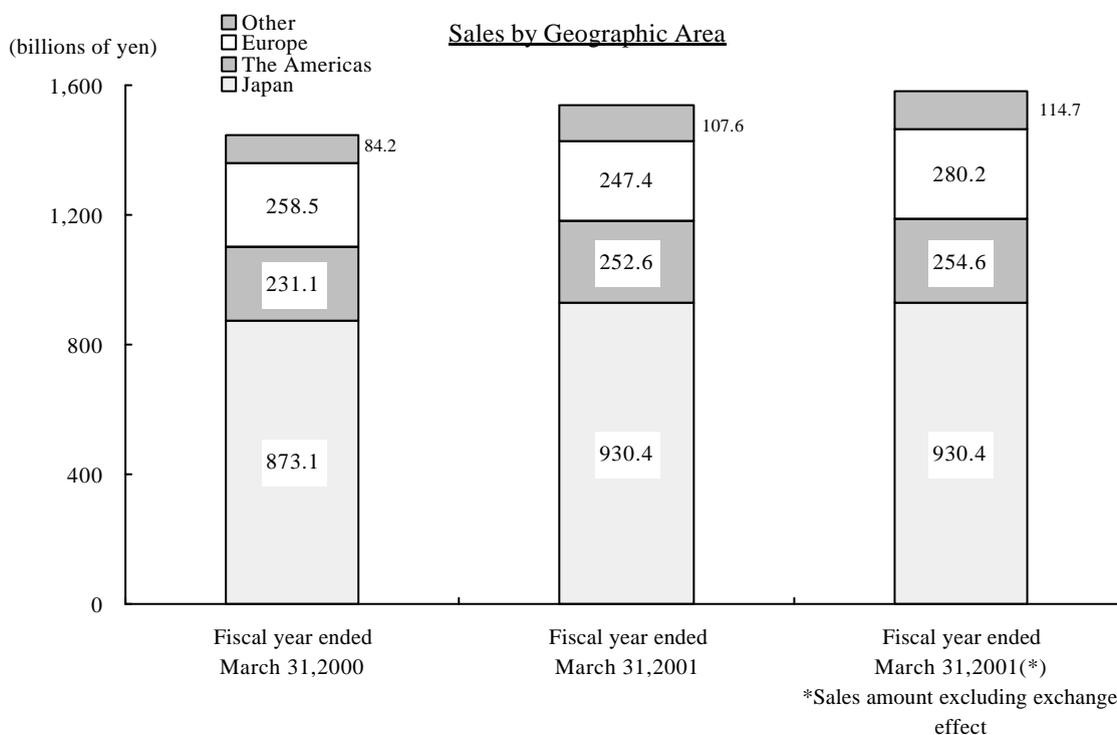
Regional sales climbed 10.2%. Sales of fast digital PPCs and MFPs soared, particularly in North America. Sales of printing systems dramatically surged, contributing greatly to sales growth. Lanier Worldwide, which Ricoh acquired in January 2001, was also included in sales.

Europe

Here, digital PPCs and MFPs, which have held top market share in this market steadily grew and thus contributed the sales. As a result, it increased to 8.4%.

Others

Owing to strengthened sales channels through acquisitions, the sales of Chinese and Asia Pacific region steadily grew centered on imaging solutions. In addition, sales optical discs and semiconductors rose significantly in Asia. Consequently, sales in this area jumped to 36.2%.



\*Segment Information

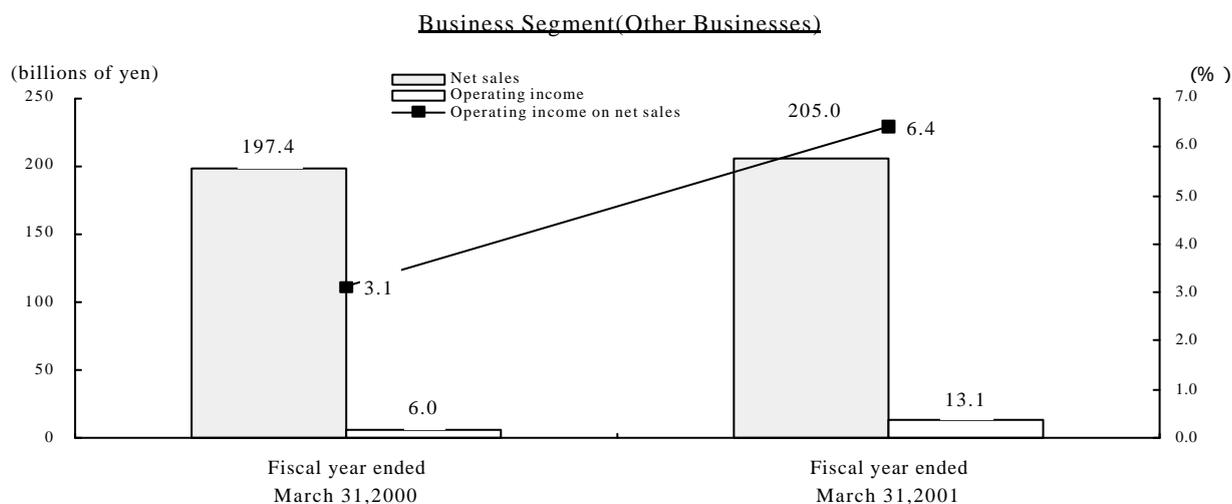
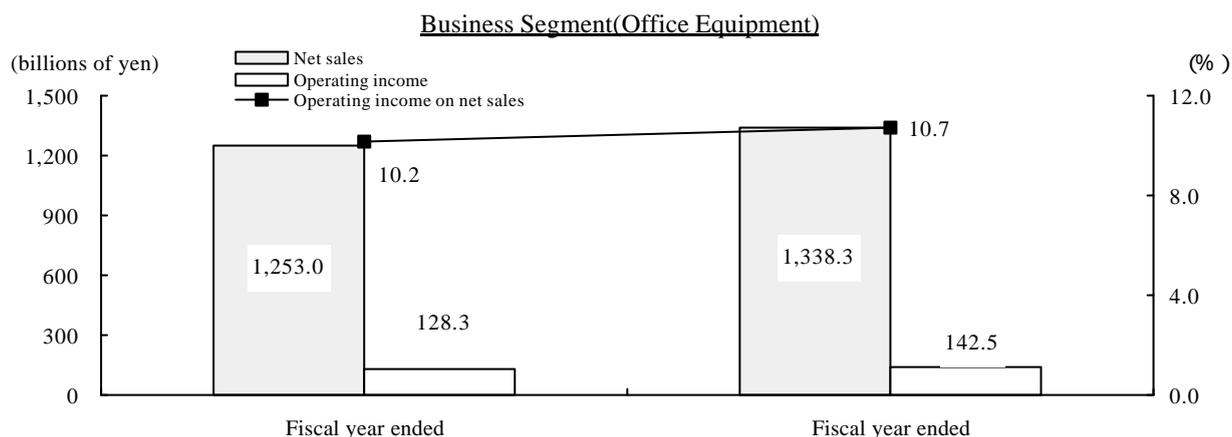
Business Segment

Office Equipment

The Company strengthened digital PPCs and printing solutions centered on MFPs to meet customer needs. As a result, both net sales and operating income soared. Capital expenditure increased because of strategic investment in production lines for new products and product development. The prominent increase of total assets is due to the acquisition of Lanier Worldwide, Inc.

Other Businesses

Owing to higher productivity through increased sales volume of semiconductors, the operating income increased. Capital expenditure also increased because of investment for higher semiconductor production.



	Year ended March 31, 2001	Year ended March 31, 2000	Change
(Billions of yen)			
Identifiable assets:			
Office Equipment.....	1,179.4	965.3	+214.1
Other Businesses .....	180.1	161.0	+19.1
Capital expenditure:			
Office Equipment.....	61.8	51.8	+10.0
Other Businesses .....	10.2	5.5	+4.6
Depreciation and Amortization:			
Office Equipment.....	52.9	54.0	-1.1
Other Businesses .....	7.5	6.8	+0.7

## Geographic Segment

### Japan

In addition to higher profitability of the core office equipment business, the better optical disk and semiconductor businesses achieved large gains in operating income.

### The Americas

The operating income increased owing to stable growth of imaging systems. On the other hand, the temporary costs of Lanier Worldwide and increase in R & D expenditure (Ricoh Innovations, Inc.) affected the decrease of operating income.

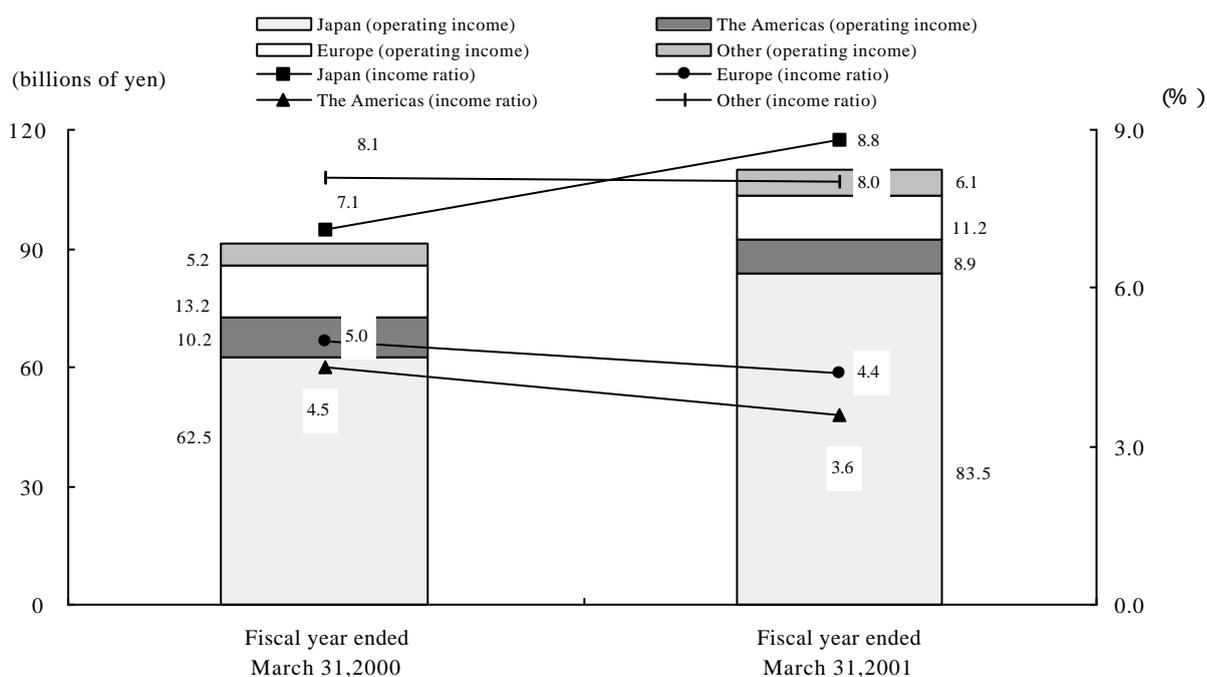
### Europe

The Company has been strengthening and rearranging sales channels. As a result, both sales and operating income steadily grew. On the other hand, the operating income decreased because of temporary reduction in production volume due to model changes in the UK manufacturing facility. Furthermore, the lower euro also affected the decrease in operating income.

### Others

The Company could see the effect of strengthened sales channels. Consequently, both sales and operating income increased.

Operating income by Geographic Segment



## (2) Expectations

*\* Overall economic prospects and countermeasures by the Ricoh Group in fiscal 2002*

The global economy is more ambiguous due to factors such as the Japanese recession and the slowdown in the US economy. In such a circumstance, the Ricoh Group will take the following countermeasures in fiscal 2002, ended March 31, 2002, thus aiming at increased sales and profits.

### Domestic

- Further enhancement of printing systems centered on MFPs
- Strengthening of product lineup for color imaging systems (PPCs, MFPs, laser printers)
- Further strengthening solutions business

### Overseas

- Strengthening new major accounts sales utilizing Lanier Worldwide, etc.
- Further enhancement of printing systems centered on MFPs
- Strengthening of product lineup for color imaging systems (PPCs, MFPs, laser printers)

### *\*Exchange rate*

US\$1=¥115(¥110.60 in previous fiscal year)

EURO1=¥105(¥100.41 in previous fiscal year)

	(Billions of yen)		
	Year ended March 31, 2002 (Forecast)	Year ended March 31, 2001	Change
Net sales .....	1,705.0	1,538.2	10.8% (*1)
Domestic sales .....	980.0	930.4	5.3%
Overseas sales .....	725.0	607.8	19.3%
Gross profit .....	686.0	613.3	11.8%
Operating income .....	130.0	105.1	23.7%
Income before income taxes .....	117.0	97.7	19.7%
Net income .....	64.0	53.2	20.2% (*2)

### Notes:

\*1...Net sales would be eighth consecutive year of growth.

\*2...Net income would be tenth consecutive year of growth.

\* The Company bases the estimates above on information currently available to management, which involves risks and uncertainties that would cause actual results to differ materially from those projected.