

## Policies and Performance

### 1. Policies

#### Group Vision

The Ricoh Group aims to be a winner in the 21st century. We want to become a globally outstanding player that is also influential in its industry. To those ends, we need to maintain the trust of customers and communities alike and to secure top market shares by constantly creating new value. We therefore promote group management innovations that enhance corporate value.

#### Medium-Term Management Plan and Issues

Our 13th medium-term management plan, from April 1999 through March 2002, encompasses the following basic management policies and issues that we are implementing and addressing groupwide:

- (1) Renovation of group management with the aim of increasing corporate value*
- (2) Reform business and profitability structure, and strengthening of technology with the aim of maintaining steady growth*
- (3) Reinforcement of cash flow management and realization of low cost business structure*

#### Board Reorganization and Executive Officer System

We have reorganized our board of directors and appointed external directorships to more efficiently implement the following goals. They are to optimize the deployment of Group resources, clarify our global strategies, and use those strategies to make all operations more competitive.

At the same time, we inaugurated an executive officer system to give operating managers more authority, thus implementing decisions and also reinforcing competitiveness.

#### Profit Structure Reforms

We will tackle change by strengthening each business to improve customer satisfaction and competitiveness. We will also harness the Group's broad resources to boost profitability. These approaches will help us solidify our position in office equipment market and position us to strengthen our copier and other imaging operations while launching many new models in the highly promising printer segment.

We will make core operations more profitable by creating function-based business accountability matrix that let us take advantage of synergies. We will help other businesses contribute more to performance by employing an internal company system that enhances competitiveness and speed.

We have responded to the spread of the Internet by establishing Net Ricoh, an online sales business of Internet sales business (Net Ricoh), while building a more competitive supply chain.

Such activities will allow us to simultaneously expand of cash flow and slash costs.

#### Safeguarding the Environment

Our environmental protection activities go far beyond compliance. We consider such efforts an inherent responsibility as a good corporate citizen, and we set accordingly high objectives that we hope can build both corporate and economic value.

We are committed to ISO14001 as a global player. We also pursue leadership in environmental protection ISO 14001-compatible management systems.

## 2. Performance

### 1) Overview

During the period under review, the Japanese economy improved only mildly, as sluggish personal consumption partially offset a slight recovery in corporate capital investment. In contrast, the U.S. economy remained buoyant despite a slowdown in personal spending and fears of worse performances by some companies. Western Europe enjoyed progress amid higher exports on the back of a weaker euro. Most Asian economies were on expansionary paths.

### Consolidated Results

Consolidated net sales rose 2.5%, to ¥735.3 billion.

After conversion into an appreciated yen, overseas sales fell 5.6%, to ¥279.1 billion, against which domestic sales climbed 8.1%, to ¥456.1 billion.

The average yen-dollar rate for the term was up ¥10.00, to ¥107.23. The yen-euro average was ¥98.63, up ¥24.80.

Operating income jumped 13.5%, to ¥51.1 billion. This was mainly because production rates improved in office equipment in line with higher unit sales, which outweighed the yen's appreciation. In addition, the profitability of other businesses improved markedly.

### *Domestic Operations*

#### Office Equipment

Sales of imaging solutions slightly increased, as plunging demand for analog plain-paper copiers offset steady gains in digital monochrome and color models. The picture was much brighter in network input/output systems and network system solutions. Close synergies between these two areas steadily boosted sales of both printers and solutions, while sales of optical discs rocketed. Consequently, domestic office equipment sales advanced 6.1% from the previous corresponding period, to ¥370.7 billion.

#### Other Businesses

Demand for large-scale integrated circuits for mobile communications equipment boomed, causing sales in this category to surge 17.6%, to ¥85.3 billion.

### *Overseas Operations*

#### Office Equipment

Sales of digital monochrome and color plain-paper copiers were solid. On the downside, sales of analog copiers fell, while the high yen increased translation adjustments. As a result, sales in this area declined from the previous corresponding period. In network system solutions, however, we enjoyed solid demand in the Americas for multifunctional printers, while our printer operations expanded favorably in both Europe and the United States. These factors partially absorbed the impact of a higher yen. As a result, overseas sales of office equipment fell 6.3%, to ¥260.6 billion.

#### Other Businesses

Here, too, the semiconductor business went from strength to strength, helping boost sales in this category 6.8%, to ¥18.5 billion.

At the end of the first half, net cash provided by operating activities stood at ¥25.1 billion. This reflected higher inventories and finance receivables, which outweighed an increase in net income. Net cash used in investing activities was ¥24.3 billion, mainly because expenditures for plant and equipment increased. As a result of these factors, free cash flow generated by operating and investing activities was ¥840 million. Net cash provided by financing activities was ¥1.1 billion, reflecting a gain in proceeds from short-term loans that outweighed a rise in repayment of long-term loans. The resulting net increase in cash and cash equivalents was ¥1.5 billion.

Therefore, cash and cash equivalents at the close of the term were ¥113.3 billion. This amount included a foreign exchange fluctuation effect of ¥458 million.

## Nonconsolidated Results

While domestic sales increased 9.5%, exports advanced 7.2% in keeping with an increase in unit volume, which offset the impact of the yen's appreciation. Sales thus jumped 8.6%, to ¥413.8 billion.

Operating income improved 0.7%, to ¥30.2 billion, on the strength of increased sales, productivity gains, and successful efforts to bolster the profitability of poorly performing operations, which outweighed the yen's rise. Ordinary profit was up 16.0%, to ¥27.9 billion, owing to increases in interest and dividend income. Net income decreased 13.6%, to ¥12.1 billion. This followed an extraordinary gain of ¥13.9 billion from the establishment of a retirement benefit trust and an extraordinary loss of ¥20.8 billion to write off charges arising from the adoption of new accounting standards.

Ricoh set interim cash dividends at ¥6.00 per share, up ¥0.50, to be paid from December 8.

## 2) Forecast

The operating environment should remain severe throughout the rest of fiscal 2001, compounded by fears of a further rise in the yen and more intensive global competition. Nonetheless, we intend to increase sales and profits for the seventh and ninth consecutive years, respectively, by further reforming our businesses and revenue and earnings structures, while reinforcing cash flow management.

Our full-year forecast is as follows:

1. Consolidated	Net sales	¥ 1,510.0 billion	+ 4.3%
	Operating income	¥ 105.0 billion	+18.1%
	Income before income taxes, minority interests and equity in earnings of affiliates	¥ 94.0 billion	+33.5%
	Net income	¥ 53.0 billion	+26.4%

2. Nonconsolidated	Net sales	¥ 830.0 billion	+ 6.8%
	Operating income	¥ 61.0 billion	+ 4.8%
	Ordinary income	¥ 57.0 billion	+13.7%
	Net income	¥ 29.0 billion	+28.2%

These forecasts assume the following foreign exchange rates:

		Consolidated	Nonconsolidated
First half	Average U.S. dollar rate	¥107.23	¥107.27
	Average euro rate	¥ 98.63	¥ 98.68
Full year	Average U.S. dollar rate	¥106.00	¥106.00
	Average euro rate	¥ 94.50	¥ 94.50

\*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.