Policies and Performance

1. Policies

(1) Basic Management
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 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 seventh 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.

Last year, the Ricoh Group took two major steps to realize those goals. First, it transferred considerable authority and responsibility to "individual businesses" by instituting an executive officer system. Second, it appointed external directors to the board, thus bolstering "overall capabilities."

Our basic strategies for delivering growth are to:
-Expand our market share in networked systems
-Deploy printing solutions
-Strengthen our operations in five key regional markets worldwide (Japan, the Americas, Europe, Asia and Oceania, and China)

In expanding our share of the networked imaging equipment market, we have focused on meeting demand for speed and sophisticated networking. Several key models have been particularly well received in Japan and abroad. They include fast digital copiers like the Imagio MF8570 (sold as the Aficio 850 overseas) and the MF105 Pro (Aficio 1050). Also popular were our Imagio Neo 350/450 (Aficio 1035/1045) copiers. Our digital copiers and multifunctional printers helped us maintain our market-leading position.

During the first half of the year, we launched the next-generation Imagio Neo 220/270 (Aficio 1022/1027) series of copiers to provide information technology support for small and medium-sized offices. These machines are very simple to operate and help reduce paper consumption. They are low-end versions of the Imagio Neo 350/450 (Aficio 1035/1045), which won the 2000 Energy Conservation Prize from Japan's Minister of Economy, Trade and Industry. Imagio Neo 220/270 series copiers combine energy economy with ease of use. They consume the least energy in their class (print output of 21 to 30 pages per minute), can start up in just one-third the time of the previous Ricoh leader, and offer even better ease of use.

Imagio Neo series machines are based on the Ricoh Document Highway, a common software platform that lets users link equipment and applications as they desire, and is compatible with the Ridoc Document System, a user-friendly paperless setup that enhances document management. We have sold many of these machines packaged with solutions software, which has contributed greatly to performance.

With demand for color equipment surging, we enjoyed excellent sales of the IPSiO Color 8000, a printer that offers output speeds and pricing comparable to monochrome platforms. This offering and the Imagio Color 5105it, a digitally networked office solutions model, helped reinforce our share of the color market.

Over the past few years, customers have shifted swiftly away from standalone machines toward networkable equipment and supporting software and services. They increasingly seek new solutions that lower the total cost of ownership and streamline office work. The Ricoh Group responded quickly to this trend by establishing companies in the Tohoku and Chugoku areas of Japan to oversee regional sales. Such a setup can help us spread our solutions expertise and support capabilities regionally while consolidating the peripheral operations of regional sales companies, thereby lowering Group costs. We plan to form similar subsidiaries in the Chubu, Kyushu, and Kansai regions.

To reinforce global operations, in January 2001 we acquired Lanier Worldwide, Inc., which sells and services imaging and other office equipment, mainly in the United States and Europe. We also made significant progress in building the Ricoh Group's management structure, which allowed us to expand our operations around the globe, particularly in the United States.

The Ricoh has taken various steps to build a high-efficiency, low-cost operating structure to overcome the challenges of deflation. We are working intensively on our supply chain management system to improve customer satisfaction while enhancing cash flow. We have also instituted programs to overhaul revenue and earnings structures for everything from Group sales, and development to production and peripheral operations.

(4) Challenges

The Ricoh Group's growth-oriented business strategies have led to solid operating results. Looking ahead, however, we expect demand to wane in the aftermath of the terrorist strikes in the United States. Customers will likely become even more selective under those conditions, prioritizing office equipment makers that can offer products and services that translate into greater office efficiency and productivity. Requirements obviously differ from customer to customer. Some users have either failed to get the solutions they want from suppliers or have given up on seeking solutions.

We plan to cultivate demand for our offerings among such companies. We believe that it will become even more important to pursue true customer satisfaction by delivering our strong imaging solutions.

As part of that drive, we will accelerate and reinforce our basic strategies so we can go beyond simply improving hardware features and performance to develop technologies that make our offerings dramatically more user-friendly while building a sales system that provides new value for our customers.

A top U.S. environmental management rating company, Innovest Strategic Value Advisors recently ranked us No. 1 worldwide in environmental protection, attesting to the top priority we accord the environment in our operations. We will continue to build on our track record so we can champion the environment as integral to our pursuit of profit.

2. Performance

(1) Overview

(billions of yen)

	Half year ended September 30, 2001	Half year ended September 30, 2000	Change	Year ended March 31, 2001
Net sales	820.0	735.3	11.5%	1,538.2
Domestic sales	452.7	456.1	-0.7%	930.4
Overseas sales	367.3	279.1	31.6%	607.8
Gross profit	341.8	294.0	16.3%	613.3
Operating income	59.9	51.1	17.1%	105.1
Income before income taxes	52.5	46.2	13.8%	97.7
Net income	28.4	25.8	10.1%	53.2
Net income per share-basic (yen)	40.97	37.27	+3.70	76.85
Net income per share-diluted (yen)	38.24	34.44	+3.80	71.02
Return on equity (%)	5.0	4.7	0.3% point	9.7
Income before income taxes on total assets (%)	3.1	3.0	0.1% point	6.0
Income before income taxes on net sales (%)	6.4	6.3	0.1% point	6.4
Total assets	1,713.0	1,566.3	+146.7	1,704.7
Shareholders' equity	581.3	554.8	+26.5	556.7
Debt	548.6	517.1	+31.5	538.9
Equity ratio (%)	33.9	35.4	-1.5% points	32.7
Equity per share (yen)	837.85	800.99	+36.86	803.64
Cash flows from operating activities:	44.9	25.1	+19.8	102.7
Cash flows from investing activities:	-55.8	-24.3	-31.4	-62.7
Cash flows from financing activities:	6.0	1.1	+4.9	-88.3
Cash and cash equivalents at end of year	60.4	113.3	-52.9	64.4
Exchange rate (US$)	122.16	107.23	14.93	110.60
Exchange rate (EURO)	107.79	98.63	9.16	100.41
Expenditure for plant and equipment (billions of yen)	39.8	37.3	+2.5	73.3
Depreciation for tangible fixed assets (billions of yen)	33.1	28.9	+4.2	62.1
R&D Expenditure (billions of yen)	39.9	38.2	+1.7	78.2
Number of employees (Japan) (thousand people)	40.0	41.1	-1.1	40.5
Number of employees (Overseas) (thousand people)	34.4	25.9	+8.5	33.8

*Overview

-In the first half of fiscal 2002, Ricoh's consolidated net sales climbed 11.5%, to 820.0 billion. Without exchange rate changes, net sales would have risen 7.0%.

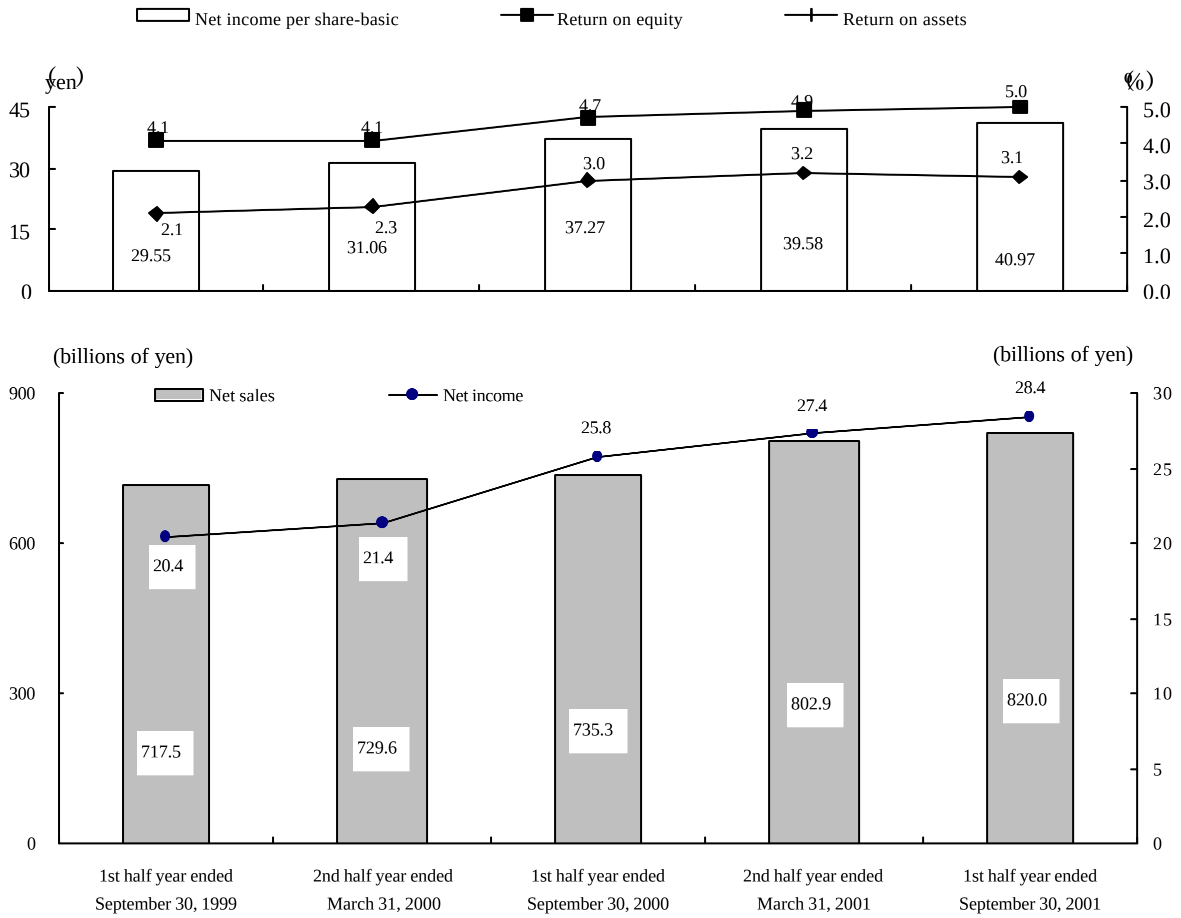
-Domestic sales were down 0.7% from the previous corresponding period. That said, sales of core office equipment gained 2.3% on the strength of demand for digital plain-paper copiers (PPCs) and such printing systems as multifunctional printers (MFPs). Overseas sales soared 31.6%, reflecting a strong performance in the office equipment business, the consolidation of Lanier Worldwide, Inc., which we acquired in January 2001, and the Japanese yen's depreciation against U.S. dollars and euro. After factoring out foreign exchange fluctuations, overseas sales effectively improved 19.8%.

-Operating income for the term improved 17.1%, reflecting increased sales of high-value-added MFPs and a weaker Japanese yen, which offset higher personnel, research and development costs, as well as selling, general, and administrative expenses caused by the consolidation of Lanier Worldwide, Inc. Other expenses were up, reflecting sluggish financial markets that caused interest income to decline, higher interest expense to cover the consolidation of Lanier Worldwide, Inc., and a net rise in foreign currency exchange loss. Nonetheless, income before income taxes advanced 13.8% year on year.

-As a result of these factors, net income gained 10.1%.

-Ricoh set interim cash dividends at ¥6.00 per share, unchanged from the previous corresponding period, to be paid from December 3, 2001.

Consolidated Performance



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

Imaging Solutions

Digital Imaging Solutions

Such major products as the Imagio Neo 350/450 series (sold overseas as the Aficio 1035/1045 series), our next generation digital PPCs, boosted sales in this sector 7.8%, by offsetting the decline in facsimile machine sales. Overseas sales increased 25.8%, largely because of the strong digital PPCs and consolidation effect of Lanier Worldwide.

Other Imaging Solutions

Overall category sales were off 6.5% owing to a steady shift from analog PPCs to digital PPCs and MFPs.

Network Input/Output Systems

Printing Systems

In Japan and abroad, Ricoh steadily expanded sales of printing equipment and reinforced its printing solutions. Sales of MFPs were up significantly, while demand surged for the IPSiO Color 8000, a fast, high-resolution laser printer. Sales of printing systems thus dramatically increased 56.8%.

Other Input/Output Systems

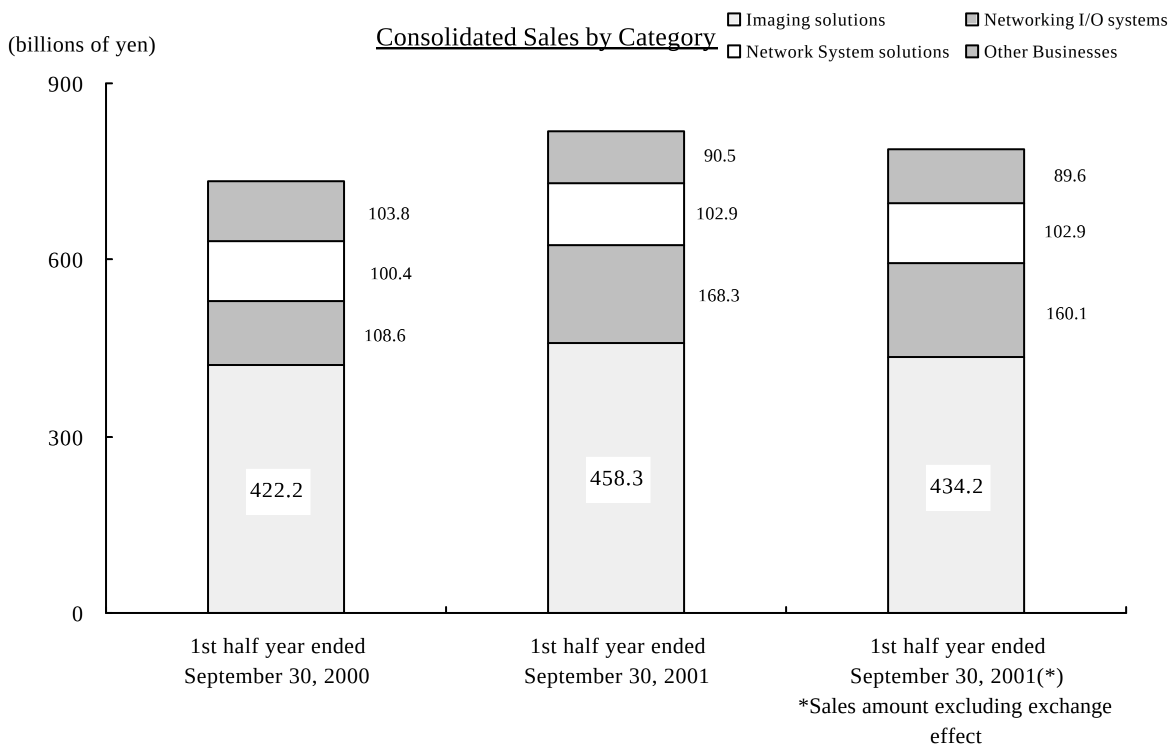
Sales in this category gained 3.2% from the previous corresponding period.

Network System Solutions

Here, Ricoh reinforced such solution businesses as PCs, useware, and document solutions, to meet demand for networks, particularly in Japan. Category sales thus rose 2.4%.

Other Businesses

Sales of semiconductors fell amid slumping demand for large-scale integrated circuits used in mobile communications equipment. Sales of metering equipment were also slow, causing category sales to fall 13.7%.



*Consolidated Sales by Geographic Area

Japan

During the term, Ricoh strengthened sales of MFPs and other printing systems and network solutions. Sales of office equipment therefore improved 2.3%. Domestic sales fell 0.7%, however, owing to downturns in semiconductors and metering equipment.

The Americas

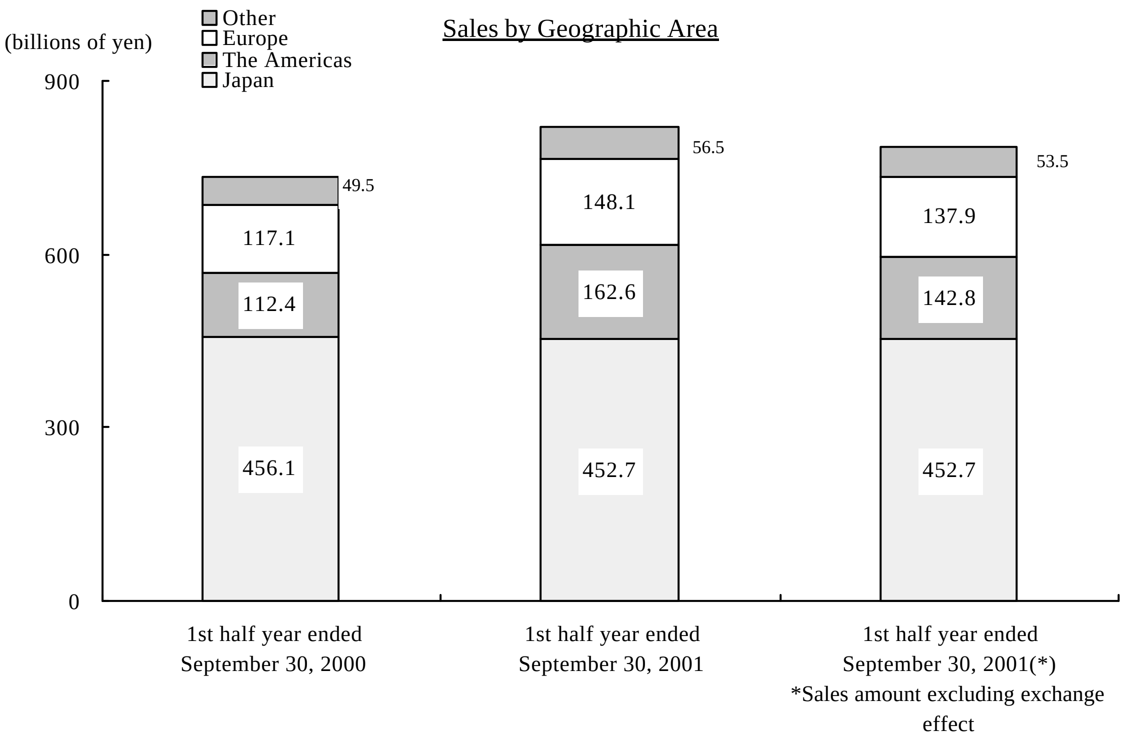
Sales of digital PPCs and MFPs expanded solidly, particularly in North America.
Demand was especially strong for printing systems, complementing solid sales of imaging equipment.
The consolidation effect of Lanier Worldwide, Inc. also contributed significantly to consolidated performance.
As a result, regional sales increased 27.0%.

Europe

Sales of digital PPCs and MFPs remained strong, helping Ricoh maintain its top market share.
Regional sales thus increased 17.7%.

Others

Demand for mainline imaging equipment was solid in China and the Asia-Pacific region. Consequently, regional sales climbed 8.1%.



*Segment Information

Business Segment

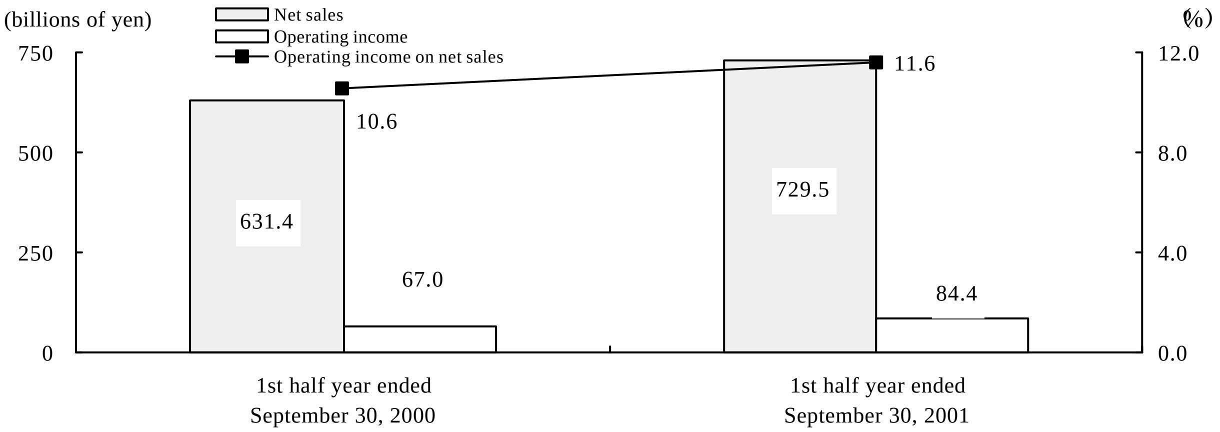
Office Equipment

Ricoh met customer needs by deploying more PPCs and printing solutions through MFPs, which contributed greatly to sales and operating income. The Company increased capital investment to expand production lines for new models and step up product development. Total assets increased, reflecting the acquisition of Lanier Worldwide, Inc.

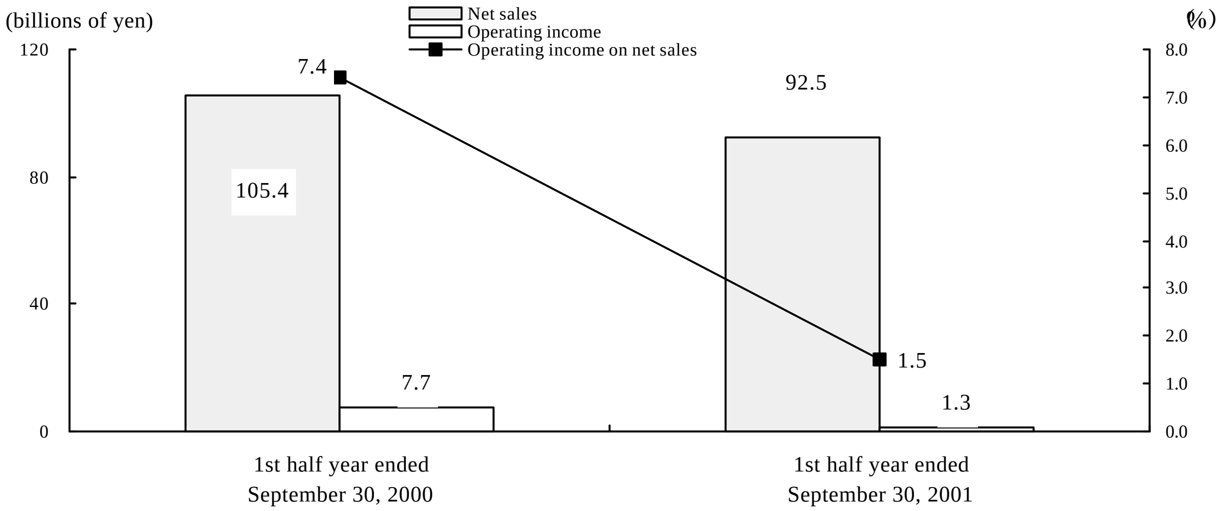
Other Businesses

Here, operating income was down in line with lower sales of semiconductors and metering equipment. We constrained capital expenditure owing to the temporary suspension of semiconductor production.

Business Segment(Office Equipment)



Business Segment(Other Businesses)



Assets, Capital Expenditure, and Depreciation (Billions of yen)

	Half Year ended September 30, 2001	Half Year ended September 30, 2000	Change
Assets:			
Office Equipment	1,174.0	1,001.8	+172.2
Other Businesses	172.1	174.0	-1.8
Capital Expenditure:			
Office Equipment	36.3	31.1	+5.1
Other Businesses	2.5	5.4	-2.9
Depreciation:			
Office Equipment	29.2	24.6	+4.6
Other Businesses	2.9	3.5	-0.5

Geographic Segment

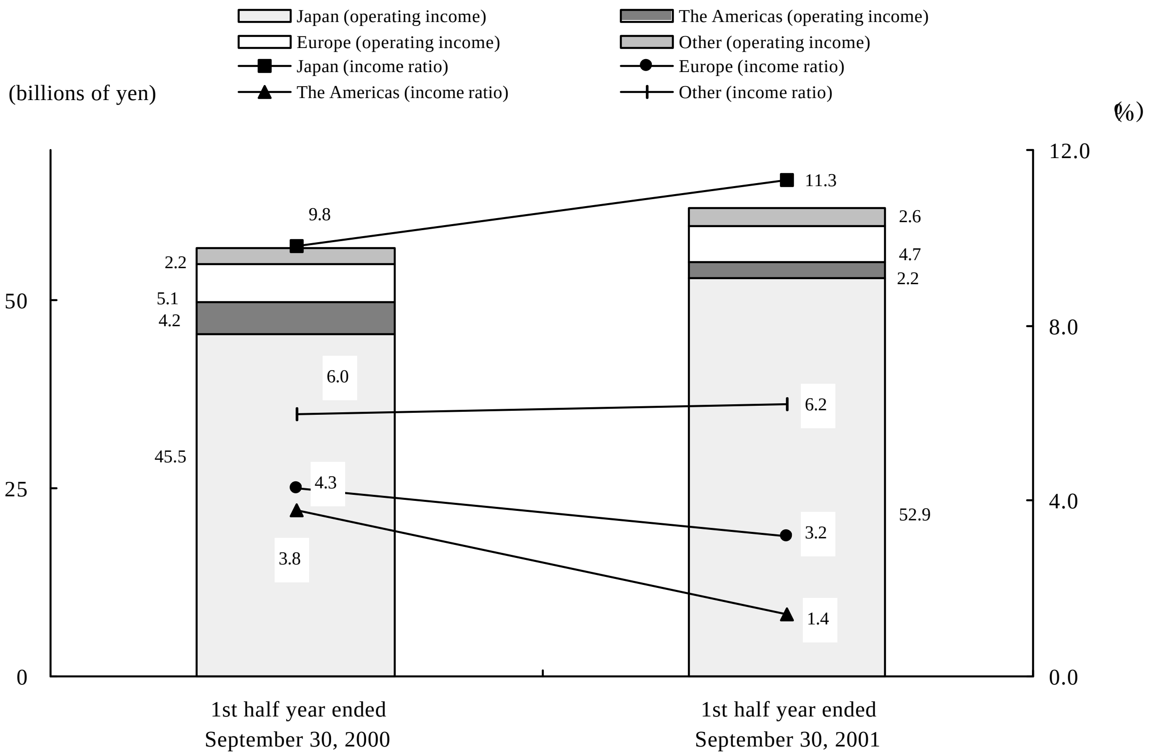
Japan
Both sales and operating income increased as solid performances in office equipment and other core businesses offset downturns in semiconductors and metering equipment.

The Americas
In the United States, operating income rose owing to strong demand for imaging equipment. Regional operating income was down, however, reflecting extraordinary costs from the purchase of Lanier Worldwide, Inc. and higher research and development expenditure at Ricoh Innovations, Inc.

Europe
During the term, Ricoh reinforced and expanded its regional sales channels, which contributed greatly to sales and operating income. Output declined temporarily as a result of model changes at production subsidiaries, causing operating income for the region to decline.

Others
Fast growth in new businesses and stronger sales channels through acquisitions helped boost both sales and operating income.

Operating income by Geographic Segment



(2) Expectations

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

The outlook for the global economy is increasingly uncertain owing to the Japanese recession and the slowing U.S. economy in the aftermath of the terrorist strikes. We have implemented the following initiatives to boost revenues and earnings to overcome these challenges.

Domestic

-Keep bringing out more printing systems, centered on
-Expand lineup and increase sales of color models, particularly PPCs, MFPs, and laser printer
-Reinforce and expand

Overseas

-Harness Lanier Worldwide, Inc. and new sales channels to secure major new accounts
-Keep bringing out more printing systems, centered on MFPs
-Expand lineup and increase sales of color models, particularly PPCs, MFPs, and laser printers

In addition, we will improve processes and take other strategic steps in Japan and abroad to enhance competitiveness and lower costs.

Exchange Rate Assumptions for the 2nd Half Year
US$ = ¥115.00 (¥122.16 in 1st half year 2002)
1 euro = ¥105.00 (¥107.79 in 1st half year 2002)

Exchange Rate Assumptions for the Full Fiscal Year
US$ = ¥118.58 (¥110.60 in previous fiscal year)
1 euro = ¥106.40 (¥100.41 in previous fiscal year)

(Billions of yen)

	Year ended March 31, 2002 (Forecast)	Year ended March 31, 2001	Change
Net sales	1,670.0	1,538.2	8.6% (*1)
Domestic sales	925.0	930.4	-0.6%
Overseas sales	745.0	607.8	22.6%
Gross profit	685.0	613.3	11.7%
Operating income	120.0	105.1	14.2%
Income before income taxes	108.0	97.7	10.5%
Net income	59.0	53.2	10.8% (*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.