



# Management's Discussion and Analysis of Fiscal 2001 Results

Ricoh Company, Ltd., continued to deliver excellent results in fiscal 2001, ended March 31, 2001. During the year, the Company continued to broaden its product lineup, boost its shares in key markets, and pursue restructuring. As a result of these factors, net sales and net income reached record highs, for the sixth and seventh years, respectively.

## Revenues

Net sales improved 6.3%, to ¥1,538.3 billion (\$12,208 million). Domestic sales gained 6.6%, to ¥930.4 billion (\$7,384 million). Overseas sales advanced 5.9%, to ¥607.8 billion (\$4,824 million), and would have jumped 13.2% if the previous year's exchange rates had remained unchanged. Domestic and overseas sales

represented 60.5% and 39.5%, respectively, of net sales.

In the office equipment category, multifunctional printers and other printing solutions drove domestic sales. Overseas, Aficio brand offerings continued to go from strength to strength, particularly in the United States. Consequently, office equipment sales were up 6.8%, to ¥1,338.4 billion (\$10,622 million).

The average yen-dollar rate for the term was down around ¥1, to ¥111. The yen-euro average plunged about ¥15, to ¥100.

## Operating Income

Operating income jumped 18.2%, to ¥105.1 billion (\$834 million). The gross profit ratio slipped 0.2 percentage point, to 39.9%.

## SALES BY PRODUCT LINE

	2000		2001		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
<b>Office Equipment:</b>					
Copiers and related supplies	¥ 870,291	60.1%	¥ 915,333	59.5%	\$ 7,264,548
Communications and information systems	382,779	26.5	423,041	27.5	3,357,468
<b>Other Businesses</b>	194,087	13.4	199,888	13.0	1,586,413
<b>Total</b>	¥ 1,447,157	100.0%	¥ 1,538,262	100.0%	\$ 12,208,429

## NEW SEGMENTATION

	2000		2001		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
<b>Office Equipment:</b>					
Imaging solutions	¥ 898,023	62.0%	¥ 867,033	56.4%	\$ 6,881,214
Network Input/Output Systems	173,108	12.0	261,838	17.0	2,078,080
Network System Solutions	181,939	12.6	209,503	13.6	1,662,722
<b>Other Businesses</b>	194,087	13.4	199,888	13.0	1,586,413
<b>Total</b>	¥ 1,447,157	100.0%	¥ 1,538,262	100.0%	\$ 12,208,429

Note: The new business category composition is as follows:

### Imaging Solutions

Digital and analog monochrome copiers, digital color copiers, digital duplicators, facsimile machines, and supplies and services

### Network Input/Output Systems

Multifunctional printers, laser printers, optical discs, scanners, software, and supplies and services

### Network System Solutions

Personal computers and servers, network systems, networking software, and services and support

### Other Businesses

Digital and analog cameras, semiconductors, and other equipment and devices

## SALES BY GEOGRAPHIC AREA

	2000		2001		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Japan	¥ 873,170	60.3%	¥ 930,433	60.5%	\$ 7,384,389
The Americas	231,181	16.0	252,698	16.4	2,005,540
Europe	258,515	17.9	247,449	16.1	1,963,881
Other	84,291	5.8	107,682	7.0	854,619
<b>Total</b>	¥ 1,447,157	100.0%	¥ 1,538,262	100.0%	\$ 12,208,429

Selling, general and administrative expenses rose 3.5%, to ¥508.3 billion (\$4,034 million), reflecting significantly expanded operations.

Research and development costs climbed 17.6%, to ¥78.2 billion (\$621 million), owing to significantly increased investments in start-of-the-art solutions projects. These costs accounted for 5.1% of net sales, up 0.5 percentage point.

## Income before Income Taxes

Income before income taxes, minority interests and equity in earnings of affiliates surged 38.9%, to ¥97.8 billion (\$776 million). Net interest and dividend income was ¥258 million (\$2 million), compared with a net interest expense of ¥4.2 billion in fiscal 2000.

## Net Income

Net income rocketed 27.0%, to ¥53.2 billion (\$422 million).

Total taxes were up 53.4%, to ¥43.5 billion (\$345 million). The effective tax rate for the term was 44.5%, up 4.2 percentage points.

The basic and diluted earnings per share of common stock were ¥76.85 (\$0.61) and ¥71.02 (\$0.56), respectively. These figures were up 26.8% and 26.7%, respectively.

Parent company cash dividends per share of common stock rose ¥1.00, to ¥12.00 (\$0.10), reflecting management's commitment to delivering solid shareholder returns.

## Segment Information

### SALES BY PRODUCT LINE

#### 1. Office Equipment

##### Copiers and Related Supplies

Segment sales advanced 5.2%, to ¥915.3 billion (\$7,265 million), accounting for 59.5% of net sales. This growth was largely because of the higher popularity of color and other digital models in Japan and high-speed machines overseas.

##### Communications and Information Systems

Here, sales jumped 10.5%, to ¥423.0 billion (\$3,357 million), or 27.5% of net sales. The main contributors to these gains were printers and CD operations.

##### Solutions-Based Business Segmentation

Ricoh has summarized results under the following business segments that reflect its strategic direction as a provider of document solutions.

##### Imaging Solutions

In this segment, sales slipped 3.5%, to ¥867.0 billion (\$6,881 million). This stemmed from a decline in sales of analog machines, which offset significantly improved sales of color and monochrome digital copiers.

##### Network Input/Output Systems

Segment sales rocketed 51.3%, to ¥261.8 billion (\$2,078 million), reflecting a far broader range of MFPs and color laser printers in Japan and abroad, complemented by printing solutions.

##### Network System Solutions

Sales in this segment improved 15.2%, to ¥209.5 billion (\$1,663 million), as Ricoh strengthened PC, useware, and document solutions to meet increased networking needs.

#### 2. Other Businesses

Category sales were up 3.0%, to ¥199.9 billion (\$1,586 million), and represented 13.0% of net sales. Slow sales of 35mm cameras and meters partially overshadowed solid demand for such electronic devices as high-performance integrated circuits and LSIs.

### SALES BY GEOGRAPHIC AREA

Japan accounted for 60.5% of net sales. The Americas and Europe accounted for 16.4% and 16.1%, respectively, and other areas 7.0%.

#### 1. Japan

Domestic sales grew 6.6%, to ¥930.4 billion (\$7,384 million), owing to strengthened printing solutions centered on MFPs, as well as network solutions. Optical disc and semiconductor operations also enjoyed significant expansion.

#### 2. The Americas

Here, sales advanced 9.3%, to ¥252.7 billion (\$2,006 million), reflecting a surge in sales of fast digital PPCs and MFPs in North America. The U.S. dollar-based improvement was 10.2%. Results partially reflected the performance of Lanier Worldwide, which Ricoh acquired late in the term.

#### 3. Europe

Sales in this region fell 4.3%, to ¥247.4 billion (\$1,964 million), but gained 8.4% in local currency terms. As in the Americas, digital PPCs and MFPs were the main sources of growth.

#### 4. Other Areas

Sales in other areas jumped 27.8%, to ¥107.7 billion (\$855 million). In local currencies, the improvement was 36.2%. This performance drew on expanded sales channels, higher popularity of imaging solutions, and increased demand for optical discs and semiconductors.

## Financial Position

At the end of fiscal 2001, total assets stood at ¥1,704.8 billion (\$13,530 million), up 10.5% from a year earlier. This was mainly because of additions to fixed assets following the acquisition of Lanier Worldwide. Interest-bearing debt rose 4.6%, to ¥538.9 billion (\$4,277 million), also as a result of the Lanier Worldwide purchase.

## Cash Flows

At year-end, net cash provided by operating activities stood at ¥102.7 billion (\$815 million), down 24.3% from the close of fiscal 2000, reflecting higher trade and finance receivables and inventories.

Net cash used in investing activities rocketed more than twofold, to ¥62.7 billion (\$498 million), in keeping with increased strategic investments for new products and semiconductor operations.

	Average pay rate	Millions of yen						
		Total	Expected maturity date					2007 and thereafter
			2002	2003	2004	2005	2006	
<b>LONG-TERM INDEBTEDNESS</b> (Excluding Capital Lease Obligations)								
Convertible Bonds	0.92 %	¥ 69,715	¥ 34,062	¥ 35,653	¥ —	¥ —	¥ —	¥ —
Bonds	1.88	85,000	10,000	—	15,000	10,000	40,000	10,000
Medium-Term Notes	5.99	1,239	1,239	—	—	—	—	—
Loans	2.56	183,887	78,719	11,564	31,096	18,494	22,283	21,731
<b>Total</b>		<b>¥ 339,841</b>	<b>¥ 124,020</b>	<b>¥ 47,217</b>	<b>¥ 46,096</b>	<b>¥ 28,494</b>	<b>¥ 62,283</b>	<b>¥ 31,731</b>

Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Millions of yen							
				Total	Expected maturity date					2007 and thereafter	
					2002	2003	2004	2005	2006		
¥	184,560	Receive floating/Pay fixed	0.46 %	0.89 %	¥ 184,560	¥ 3,780	¥ 71,038	¥ 48,617	¥ 53,080	¥ 2,000	¥ 6,045
	91,500	Receive fixed/Pay floating	2.20	0.42	91,500	5,000	1,000	17,000	24,500	20,000	24,000
	1,000	Receive floating/Pay floating	0.63	0.07	1,000	1,000	—	—	—	—	—
US\$	50	Receive floating/Pay fixed	5.15 %	6.54 %	¥ 6,195	¥ —	¥ 3,717	¥ —	¥ 2,478	¥ —	¥ —
	10	Receive fixed/Pay floating	5.01	4.84	1,239	—	1,239	—	—	—	—

	Average pay rate	Thousands of U.S. dollars						
		Total	Expected maturity date					2007 and thereafter
			2002	2003	2004	2005	2006	
<b>LONG-TERM INDEBTEDNESS</b> (Excluding Capital Lease Obligations)								
Convertible Bonds	0.92 %	\$ 553,294	\$ 270,334	\$ 282,960	\$ —	\$ —	\$ —	\$ —
Bonds	1.88	674,603	79,365	—	119,048	79,365	317,460	79,365
Medium-Term Notes	5.99	9,833	9,833	—	—	—	—	—
Loans	2.56	1,459,421	624,754	91,778	246,794	146,778	176,849	172,468
<b>Total</b>		<b>\$2,697,151</b>	<b>\$ 984,286</b>	<b>\$ 374,738</b>	<b>\$ 365,842</b>	<b>\$ 226,143</b>	<b>\$ 494,309</b>	<b>\$ 251,833</b>

Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Thousands of U.S. dollars							
				Total	Expected maturity date					2007 and thereafter	
					2002	2003	2004	2005	2006		
¥	184,560	Receive floating/Pay fixed	0.46 %	0.89 %	\$1,464,762	\$ 30,000	\$ 563,794	\$ 385,849	\$ 421,270	\$ 15,873	\$ 47,976
	91,500	Receive fixed/Pay floating	2.20	0.42	726,190	39,683	7,937	134,921	194,443	158,730	190,476
	1,000	Receive floating/Pay floating	0.63	0.07	7,937	7,937	—	—	—	—	—
US\$	50	Receive floating/Pay fixed	5.15 %	6.54 %	\$ 49,167	\$ —	\$ 29,500	\$ —	\$ 19,667	\$ —	\$ —
	10	Receive fixed/Pay floating	5.01	4.84	9,833	—	9,833	—	—	—	—

The free cash flow generated by operating and investing activities totaled ¥40.0 billion (\$317 million), down 62.7%. This level was ample, as Ricoh significantly reduced its long-term debt repayments.

Net cash used in financing activities dropped 27.1%, to ¥88.4 billion (\$701 million), owing to higher long-term debt repayments.

Therefore, cash and cash equivalents at the close of the term were ¥64.5 billion (\$512 million), down ¥47.4 billion, or 42.4%.

## Capital Expenditures

Additions to property, plant and equipment soared 25.7%, to ¥73.3 billion (\$582 million). These investments were primarily for manufacturing in core digital products and semiconductors.

## Key Financial Ratios

We have provided the following ratios to facilitate analysis of the Company's operations for fiscal 1999, 2000, and 2001.

	Fiscal 1999	Fiscal 2000	Fiscal 2001
Return on sales	2.1%	2.9%	<b>3.5%</b>
Return on shareholders' investment	6.4%	8.1%	<b>9.7%</b>
Current ratio	1.27	1.32	<b>1.00</b>
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	1.34	0.95	<b>0.97</b>
Interest coverage	6.8	9.3	<b>14.5</b>

## Market Risk

### MARKET RISK EXPOSURE

Ricoh is exposed to market risks primarily from changes in foreign currency exchange rates and interest rates, which affect outstanding debt and certain assets and liabilities denominated in foreign currencies. In order to manage these risks that arise in the normal course of business, Ricoh enters into hedging transactions pursuant to its policies and procedures covering such areas as counterparty exposure and hedging practices. Ricoh does not hold or issue derivative financial instruments for trading purposes, or to generate income.

Ricoh regularly assesses these market risks based on the policies and procedures established to protect against adverse effects of these risks and other potential exposures, primarily by reference to the market value of the financial instruments. As a result of the latest assessment, Ricoh does not anticipate any material losses in these areas.

### FOREIGN CURRENCY RISK

In the ordinary course of business, Ricoh uses foreign exchange forward contracts to manage the effects of foreign currency exchange risk on monetary assets and liabilities denominated in foreign currencies. The contracts with respect to the operating activities generally have maturities of less than six months, while the contracts with respect to the financing activities have the same maturities as

underlying assets and liabilities.

The table below provides information about Ricoh's major derivative financial instruments that are sensitive to foreign currency exchange rates, except for the contracts with respect to the financial activities. For foreign exchange forward contracts, the table presents the notional amounts and weighted average exchange rates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contracts.

## FOREIGN EXCHANGE FORWARD CONTRACTS

	Average contractual rates	Millions of yen	Thousands of U.S. dollars
		Contract amounts	Contract amounts
US\$/¥	<b>118.77</b>	¥ <b>20,666</b>	\$ <b>164,016</b>
EUR/¥	<b>105.25</b>	<b>10,210</b>	<b>81,032</b>

## INTEREST RATE RISK

In the ordinary course of business, Ricoh enters into interest rate swap agreements to reduce interest rate risk and to modify the interest rate characteristics of its outstanding debt. These agreements primarily involve the exchange of fixed and floating rate interest payments over the life of the agreement without the exchange of the underlying principal amounts.

The table on page 24 provides information about Ricoh's major derivative and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows by expected maturity date and related weighted average interest rates. For interest rate swaps, the table presents notional amounts by expected maturity date and weighted average interest rates. Notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

## CREDIT RISK

Credit risk arising from the nonperformance of counterparties to meet the terms of financial instrument contracts is generally limited to the amounts by which the counterparties' obligations exceed the obligations of Ricoh. It is Ricoh's policy to only enter into financial instrument contracts with diverse high credit rated financial institutions to minimize credit risk concentration. Therefore, Ricoh does not expect to incur material credit losses on its financial instruments.

## Forward-Looking and Cautionary Statements

Certain statements contained in this annual report may constitute forward-looking statements, which involve a number of risks, uncertainties and other factors that would cause actual results to differ materially from those projected or implied elsewhere in this annual report.

## Selected Financial Data

Ricoh Company, Ltd. and Consolidated Subsidiaries  
For the Years Ended March 31

	1992	1993
<b>For the Year:</b>		
Net sales	¥ 1,017,417	¥ 1,021,915
Cost of sales	677,674	657,750
Selling, general and administrative expenses	328,522	327,397
Income before income taxes, minority interests and equity in earnings of affiliates	10,869	17,784
Provision for income taxes	13,010	14,716
Net income	2,041	5,015
Capital expenditures	75,057	46,747
Depreciation and amortization	56,811	55,846
<b>Per Share Data</b> (in yen and dollars):		
Net income:		
Basic	¥ 3.13	¥ 7.70
Diluted	3.13	7.70
Cash dividends, applicable to the year	10.00	10.00
<b>At Year-End:</b>		
Total assets	¥ 1,235,779	¥ 1,228,959
Long-term indebtedness	309,315	303,599
Shareholders' investment	357,795	351,602
Working capital	86,874	77,318
Return on sales	0.2 %	0.5 %
Return on shareholders' investment	0.6	1.4
<b>Common Stock Price Range</b> (in yen and dollars):		
High	¥ 820	¥ 728
Low	455	402

Millions of yen								Thousands of U.S. dollars	
1994	1995	1996	1997	1998	1999	2000	2001	2001	
¥ 968,318	¥ 1,020,296	¥ 1,113,030	¥ 1,316,072	¥ 1,403,348	¥ 1,425,999	¥ 1,447,157	¥ 1,538,262	¥ 1,538,262	\$12,208,429
605,958	628,071	683,406	772,238	838,440	857,423	867,148	924,893	924,893	7,340,421
326,352	339,891	374,246	460,471	475,201	495,029	491,088	508,264	508,264	4,033,841
26,167	41,674	51,020	66,905	68,428	53,054	70,393	97,765	97,765	775,913
18,233	24,931	28,251	39,864	40,210	24,555	28,363	43,512	43,512	345,334
9,520	18,593	21,869	28,922	30,131	30,655	41,928	53,228	53,228	422,444
44,928	45,437	48,828	78,666	94,117	70,469	58,356	73,329	73,329	581,976
49,155	44,960	46,430	51,000	61,971	67,456	61,946	62,142	62,142	493,190
¥ 14.61	¥ 28.54	¥ 33.55	¥ 44.16	¥ 44.97	¥ 44.33	¥ 60.61	¥ 76.85	¥ 76.85	\$ 0.61
14.47	26.43	31.21	38.95	41.35	40.94	56.06	71.02	71.02	0.56
10.00	10.00	10.00	12.00	11.00	11.00	11.00	12.00	12.00	0.10
¥ 1,238,275	¥ 1,320,617	¥ 1,508,519	¥ 1,644,896	¥ 1,660,496	¥ 1,628,017	¥ 1,543,320	¥ 1,704,791	¥ 1,704,791	\$13,530,087
337,592	386,535	411,023	386,918	295,536	344,580	307,962	217,743	217,743	1,728,119
349,945	377,840	401,471	422,923	475,005	487,459	541,506	556,728	556,728	4,418,476
116,108	142,021	139,163	77,527	31,681	176,161	187,553	(29)	(29)	(230)
1.0 %	1.8 %	2.0 %	2.2 %	2.1 %	2.1 %	2.9 %	3.5 %	3.5 %	—
2.7	5.1	5.6	7.0	6.7	6.4	8.1	9.7	9.7	—
¥ 849	¥ 1,020	¥ 1,230	¥ 1,530	¥ 1,900	¥ 1,634	¥ 2,525	¥ 2,495	¥ 2,495	\$ 19.80
561	726	650	1,050	1,270	969	1,078	1,627	1,627	12.91

# Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries  
March 31, 2000 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 111,838	¥ 64,457	\$ 511,563
Time deposits	17,076	11,187	88,786
Marketable securities	128,768	62,213	493,754
Trade receivables—			
Notes	87,155	96,329	764,516
Accounts	265,808	331,575	2,631,548
Less—Allowance for doubtful receivables	(11,717)	(17,043)	(135,262)
Inventories—			
Finished goods	98,312	126,189	1,001,500
Work in process and raw materials	44,849	50,194	398,365
Deferred income taxes	37,658	54,306	431,000
Total current assets	779,747	779,407	6,185,770
<b>Plant and Equipment, at Cost:</b>			
Land	43,287	43,518	345,381
Buildings	188,269	195,103	1,548,436
Machinery and equipment	574,744	631,015	5,008,056
Construction in progress	3,187	1,862	14,778
	809,487	871,498	6,916,651
Less—Accumulated depreciation	(565,973)	(604,249)	(4,795,627)
	243,514	267,249	2,121,024
<b>Investments and Other Assets:</b>			
Finance receivables	372,861	428,790	3,403,095
Investment securities	28,785	49,076	389,492
Investments in and advances to affiliates	44,502	43,014	341,381
Lease deposits and other	73,911	137,255	1,089,325
	520,059	658,135	5,223,293
	¥ 1,543,320	¥ 1,704,791	\$ 13,530,087

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

<b>LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
<b>Current Liabilities:</b>			
Short-term borrowings	¥ 150,081	¥ 195,770	\$ 1,553,730
Current maturities of long-term indebtedness	57,081	125,415	995,357
Trade payables—			
Notes	45,406	42,474	337,095
Accounts	215,694	249,317	1,978,707
Accrued income taxes	35,315	34,396	272,984
Accrued expenses and other	88,617	132,064	1,048,127
Total current liabilities	592,194	779,436	6,186,000
<b>Long-Term Liabilities:</b>			
Long-term indebtedness	307,962	217,743	1,728,119
Accrued pension and severance costs	37,837	82,828	657,365
Deferred income taxes	17,463	20,625	163,690
	363,262	321,196	2,549,174
<b>Minority Interests</b>	46,358	47,431	376,437

### Commitments and Contingent Liabilities (Note 16)

#### Shareholders' Investment:

Common stock, par value ¥50 per share:			
Authorized—1,000,000,000 shares			
Issued and outstanding—692,082,959 shares in 2000 and 692,755,584 shares in 2001	103,112	103,434	820,905
Additional paid-in capital	154,314	154,635	1,227,262
Legal reserve	15,178	16,223	128,754
Retained earnings	272,004	316,224	2,509,714
Accumulated other comprehensive income (loss)	(3,102)	(33,788)	(268,159)
Total shareholders' investment	541,506	556,728	4,418,476
	¥ 1,543,320	¥ 1,704,791	\$ 13,530,087

# Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries  
For the Years Ended March 31, 1999, 2000 and 2001

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
<b>Net Sales</b>	¥ 1,425,999	¥ 1,447,157	¥ 1,538,262	\$ 12,208,429
<b>Cost of Sales</b>	857,423	867,148	924,893	7,340,421
Gross profit	568,576	580,009	613,369	4,868,008
<b>Selling General and Administrative Expenses</b>	495,029	491,088	508,264	4,033,841
Operating income	73,547	88,921	105,105	834,167
<b>Other (Income) Expenses:</b>				
Interest and dividend income	(5,933)	(5,997)	(8,045)	(63,849)
Interest expense	11,661	10,181	7,787	61,801
Foreign currency exchange (gain) loss, net	3,503	6,004	(3,490)	(27,698)
Other, net	11,262	8,340	11,088	88,000
Total	20,493	18,528	7,340	58,254
<b>Income before Income Taxes, Minority Interests and Equity in Earnings of Affiliates</b>	53,054	70,393	97,765	775,913
<b>Provision for Income Taxes:</b>				
Current	28,052	46,416	53,506	424,651
Deferred	(3,497)	(18,053)	(9,994)	(79,317)
Total	24,555	28,363	43,512	345,334
<b>Income before Minority Interests and Equity in Earnings of Affiliates</b>	28,499	42,030	54,253	430,579
<b>Minority Interests</b>	1,939	2,599	3,123	24,786
<b>Equity in Earnings of Affiliates</b>	4,095	2,497	2,098	16,651
<b>Net Income</b>	¥ 30,655	¥ 41,928	¥ 53,228	\$ 422,444
		Yen		U.S. dollars
<b>Per Share of Common Stock:</b>				
Net income:				
Basic	¥ 44.33	¥ 60.61	¥ 76.85	\$ 0.61
Diluted	40.94	56.06	71.02	0.56
Cash dividends, applicable to the year	¥ 11.00	¥ 11.00	¥ 12.00	\$ 0.10
<b>Per American Depositary Share, Each Representing 5 Shares of Common Stock:</b>				
Net income:				
Basic	¥ 221.65	¥ 303.05	¥ 384.25	\$ 3.05
Diluted	204.70	280.30	355.10	2.82
Cash dividends, applicable to the year	¥ 55.00	¥ 55.00	¥ 60.00	\$ 0.48

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Shareholders' Investment

Ricoh Company, Ltd. and Consolidated Subsidiaries  
For the Years Ended March 31, 1999, 2000 and 2001

	Millions of yen				Thousands of U.S. dollars	
	1999	2000	2001	2001		
<b>Common Stock:</b>						
Beginning balance	¥ 102,820	¥ 102,849	¥ 103,112	¥ 103,112	\$ 818,349	
Conversion of convertible bonds; 52,209 shares in 1999, 484,328 shares in 2000, and 672,625 shares in 2001	29	263	322	322	2,556	
Ending balance	¥ 102,849	¥ 103,112	¥ 103,434	¥ 103,434	\$ 820,905	
<b>Additional Paid-in Capital:</b>						
Beginning balance	¥ 154,026	¥ 154,055	¥ 154,314	¥ 154,314	\$ 1,224,714	
Conversion of convertible bonds	29	259	321	321	2,548	
Ending balance	¥ 154,055	¥ 154,314	¥ 154,635	¥ 154,635	\$ 1,227,262	
<b>Legal Reserve:</b>						
Beginning balance	¥ 13,407	¥ 14,271	¥ 15,178	¥ 15,178	\$ 120,460	
Transfer from retained earnings	864	907	1,045	1,045	8,294	
Ending balance	¥ 14,271	¥ 15,178	¥ 16,223	¥ 16,223	\$ 128,754	
<b>Retained Earnings:</b>						
Beginning balance	¥ 216,410	¥ 238,592	¥ 272,004	¥ 272,004	\$ 2,158,762	
Net income	30,655	41,928	53,228	53,228	422,444	
Cash dividends paid	(7,609)	(7,609)	(7,963)	(7,963)	(63,198)	
Transfer to legal reserve	(864)	(907)	(1,045)	(1,045)	(8,294)	
Ending balance	¥ 238,592	¥ 272,004	¥ 316,224	¥ 316,224	\$ 2,509,714	
<b>Accumulated Other Comprehensive Income (Loss):</b>						
Beginning balance	¥ (11,658)	¥ (22,308)	¥ (3,102)	¥ (3,102)	\$ (24,619)	
Unrealized holding gains (losses) on available-for-sale securities, net of reclassification adjustment	(3,924)	9,355	(6,967)	(6,967)	(55,294)	
Foreign currency translation adjustments	(2,217)	(7,394)	(1,740)	(1,740)	(13,810)	
Minimum pension liability adjustments	(4,509)	17,245	(21,979)	(21,979)	(174,436)	
Ending balance	¥ (22,308)	¥ (3,102)	¥ (33,788)	¥ (33,788)	\$ (268,159)	
<b>Comprehensive Income:</b>						
Net income for the year	¥ 30,655	¥ 41,928	¥ 53,228	¥ 53,228	\$ 422,444	
Other comprehensive income (loss) for the year, net of tax	(10,650)	19,206	(30,686)	(30,686)	(243,540)	
Total comprehensive income for the year	¥ 20,005	¥ 61,134	¥ 22,542	¥ 22,542	\$ 178,904	

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Cash Flows

Ricoh Company, Ltd. and Consolidated Subsidiaries  
For the Years Ended March 31, 1999, 2000 and 2001

	Millions of yen				Thousands of U.S. dollars	
	1999	2000	2001	2001		
<b>Cash Flows from Operating Activities:</b>						
Net income	¥ 30,655	¥ 41,928	¥ 53,228	\$ 422,444		
Adjustments to reconcile net income to net cash provided by operating activities—						
Depreciation and amortization	67,456	61,946	62,142	493,190		
Equity in earnings of affiliates, net of dividends received	(2,936)	(846)	(1,056)	(8,381)		
Deferred income taxes	(3,497)	(18,053)	(9,994)	(79,317)		
Loss on disposal and sales of plant and equipment	2,285	207	2,223	17,643		
Changes in assets and liabilities, net of effects from acquisition—						
Decrease (increase) in trade receivables	5,818	(7,794)	(32,476)	(257,746)		
Decrease (increase) in inventories	22,038	8,502	(7,167)	(56,881)		
Decrease (increase) in finance receivables	16,921	(22,914)	(15,127)	(120,055)		
(Decrease) increase in trade payables	(29,961)	23,852	16,235	128,849		
(Decrease) increase in accrued income taxes and accrued expenses and other	(14,433)	27,620	27,310	216,746		
Increase in accrued pension and severance costs	7,198	8,618	1,667	13,230		
Other, net	5,164	12,574	5,743	45,579		
Net cash provided by operating activities	106,708	135,640	102,728	815,301		
<b>Cash Flows from Investing Activities:</b>						
Proceeds from sales of plant and equipment	486	2,989	1,120	8,889		
Expenditures for plant and equipment	(68,990)	(56,930)	(73,040)	(579,682)		
Payments for purchases of available-for-sale securities	(60,883)	(54,194)	(52,853)	(419,468)		
Proceeds from sales of available-for-sale securities	54,777	24,534	93,705	743,690		
(Increase) decrease in investments in and advances to affiliates	(2,258)	4,254	51	405		
Decrease (increase) in time deposits	3,794	(1,571)	6,797	53,944		
Decrease (increase) in cash deposits for assignment of debt securities	(25,376)	50,000	—	—		
Payments for acquisition of Lanier Worldwide, Inc., net of cash acquired	—	—	(28,103)	(223,040)		
Other, net	9,215	2,428	(10,405)	(82,579)		
Net cash used in investing activities	(89,235)	(28,490)	(62,728)	(497,841)		
<b>Cash Flows from Financing Activities:</b>						
Proceeds from long-term loans	129,816	8,362	33,183	263,357		
Repayment of long-term loans	(128,917)	(36,699)	(114,701)	(910,326)		
(Decrease) increase in short-term borrowings, net	(58,727)	(56,529)	5,565	44,167		
Proceeds from issuance of long-term debt securities	40,000	35,000	—	—		
Repayment of long-term debt securities	—	(66,620)	(2,990)	(23,730)		
Cash dividends paid	(7,609)	(7,595)	(7,964)	(63,206)		
Other, net	—	2,832	(1,475)	(11,706)		
Net cash used in financing activities	(25,437)	(121,249)	(88,382)	(701,444)		
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(2,715)	(4,718)	1,001	7,944		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(10,679)	(18,817)	(47,381)	(376,040)		
<b>Cash and Cash Equivalents at Beginning of Year</b>	141,334	130,655	111,838	887,603		
<b>Cash and Cash Equivalents at End of Year</b>	¥ 130,655	¥ 111,838	¥ 64,457	\$ 511,563		
<b>Supplemental Disclosures of Cash Flow Information:</b>						
<b>Cash Paid during the Year for—</b>						
Interest	¥ 17,970	¥ 17,305	¥ 13,749	\$ 109,119		
Income taxes	34,618	26,546	57,192	453,905		

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

Ricoh Company, Ltd. and Consolidated Subsidiaries

## 1. NATURE OF OPERATIONS

Ricoh Company, Ltd. (the "Company"), was established in 1936, and is headquartered in Tokyo, Japan. The Company and significant subsidiaries ("Ricoh" as a consolidated group) is a worldwide supplier of office automation equipment, including copiers, facsimile machines, data processing systems, printers and related supplies. Ricoh is also well known for its state-of-the-art electronic devices, photographic equipment and others.

Ricoh distributes its products primarily through domestic (Japanese) and foreign sales subsidiaries. Overseas, Ricoh owns and distributes not only Ricoh brand products but also other brands, such as Gestetner, Lanier and Savin.

Ricoh manufactures its products primarily in 15 plants in Japan and seven plants overseas, which are located in the United States, United Kingdom, France, and China.

## 2. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in the United States of America, modified for the accounting for stock splits (see 2 (m) below). Significant accounting and reporting policies are summarized below:

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of Ricoh. Investments in 20% to 50% owned companies are accounted for on the equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

### (b) Translation of Foreign Currency Accounts

Under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," assets and liabilities are translated at the exchange rates in effect at each fiscal year-end, and income and expenses are translated at the average rates of exchange prevailing during each fiscal year. The resulting translation adjustments are accumulated as part of other comprehensive income (loss) included in shareholders' investment.

### (c) Derivatives

Ricoh enters into foreign currency contracts and interest rate swap agreements to manage risk exposure. Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and recognized in income, or as adjustments of carrying amounts, when the hedged transaction occurs.

### (d) Securities

Ricoh conforms with SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities," which requires certain investments in debt and equity securities to be classified as either held-to-maturity, trading, or available-for-sale securities. As of March 31, 2000 and 2001, a substantial part of Ricoh's investments in debt and equity securities is classified to available-for-sale securities. Those classified as available-for-sale are reported at fair value with unrealized gains and losses, net of related taxes, excluded from earnings and reported in accumulated other comprehensive income (loss).

The cost of the securities sold was computed based on the average cost of each security held at the time of sale.

### (e) Inventories

Inventories are stated at the lower of average cost or market. Inventory costs include raw materials, labor and manufacturing overheads.

### (f) Plant and Equipment

Depreciation of plant and equipment is computed principally by using the declining-balance method over the estimated useful lives. Most of the foreign subsidiaries have adopted the straight-line method for computing depreciation, which currently accounts for approximately 28% of the consolidated depreciation expense.

Effective rates of depreciation for the three years ended March 31, 2001 are summarized below:

	1999	2000	2001
Buildings	8.0%	7.9%	8.0%
Machinery and equipment	38.3	37.6	36.6

Certain leased buildings, machinery and equipment are accounted for as capital leases in conformity with SFAS No. 13, "Accounting for Leases." The aggregate cost included in plant and equipment and related accumulated depreciation as of March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Aggregate cost	¥ 6,648	¥ 6,413	\$ 50,897
Accumulated depreciation	3,388	3,448	27,365

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2001 were ¥3,693 million (\$29,310 thousand) and ¥3,317 million (\$26,325 thousand), respectively.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts, and any differences are included in other income or expenses.

### (g) Goodwill

Ricoh has classified as goodwill the cost in excess of fair value of the net assets of major companies acquired in purchase transactions. Goodwill is being amortized on a straight-line method over the estimated periods benefited, not to exceed 20 years.

### (h) Pension and Retirement Allowances Plans

Ricoh conforms with SFAS No. 87, "Employers' Accounting for Pensions," in accounting for pension and retirement allowances plans.

**(i) Income Taxes**

Ricoh conforms with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes.

Income taxes are currently provided for undistributed earnings of foreign subsidiaries and affiliates, except for those that are deemed to be permanent investments.

**(j) Advertising**

The costs of advertising are expensed as incurred.

**(k) Impairment Loss on Long-Lived Assets**

Ricoh conforms with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," in accounting for impairment loss on long-lived assets and certain identifiable intangibles. In performing the review for recoverability of long-lived assets and certain identifiable intangibles, Ricoh estimates the future cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is recognized if the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset. For purposes of such comparison, portions of unallocated excess of cost over net assets acquired were attributed to related long-lived assets and identifiable intangible assets, based upon the relative fair values of such assets at acquisition. Measurement of an impairment loss for long-lived assets and identifiable intangibles is based on the fair value of the asset.

**(l) Earnings Per Share**

Ricoh conforms with SFAS No. 128, "Earnings Per Share," which establishes standards for computing and presenting earnings per share (EPS) and requires a dual presentation of basic and diluted EPS.

**(m) Accounting for Stock Splits**

The stock splits of common stock made at various times have been accounted for by transferring an amount equivalent to the par value of such stocks from additional paid-in capital to common stock in the case of capitalization by resolution of the Board of Directors. However, no accounting recognition is made for stock splits when common stock already includes a portion of the proceeds from shares issued at a price in excess of par value (see Note 12).

In the United States, distributions of shares in comparable circumstances are required to be accounted for by transferring from retained earnings amounts equal to the fair market value of the shares issued, and by increasing additional paid-in capital by the excess of the market value over par value of the shares issued.

**(n) Consolidated Statements of Cash Flows**

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the date of purchase.

The following noncash transactions have been excluded from the consolidated statements of cash flows:

	Millions of yen			Thousands of
	1999	2000	2001	U.S. dollars
Conversion of convertible bonds	¥ 58	¥ 4,676	¥ 1,088	\$ 8,635
Capital lease obligations incurred	1,446	1,426	289	2,294
Transfer of securities to pension fund	—	20,760	—	—
Assets and liabilities of Ricoh Elemex Corporation in 1999 and Lanier Worldwide, Inc., in 2001:				
Fair value of assets acquired	55,633	—	134,586	1,068,143
Liabilities assumed	32,826	—	104,623	830,341

**(o) Use of Estimates**

Management of the Company has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

**(p) Segment Information**

In the year ended March 31, 2000, Ricoh adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," which establishes standards for the reporting of information about operating segments in the financial statements. Prior years' information was restated as required in SFAS No. 131. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by Ricoh's management in deciding how to allocate resources and in assessing performance. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect results of operations or financial position but did affect the disclosure of segment information, as presented in Note 18.

**(q) Revenue Recognition**

Ricoh recognizes revenue when it is realized or realizable and earned. Ricoh considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been shipped to and received by the customer or the services have been provided to the customer, the sales price is fixed or determinable and collectibility is reasonably assured.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101, as amended, summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements and provides guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry. Ricoh adopted SAB 101 in the year ended March 31, 2001. Adoption of this guidance did not have a material effect on Ricoh's consolidated financial position or results of operations.

**(r) New Accounting Standards**

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued Statement 138, "Ac-

counting for Certain Derivative Instruments and Certain Hedging Activities,” an amendment of FASB Statement No. 133. Statement 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument’s fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133, as amended, and 138 are effective for fiscal years beginning

after June 15, 2000. Ricoh adopted SFAS 133 and 138 as of April 1, 2001. The cumulative effect adjustment upon the adoption of SFAS 133 and 138, net of the related income tax effect, resulted in a decrease to net income of approximately ¥66 million (\$524 thousand) and a decrease to other comprehensive income of approximately ¥1,864 million (\$14,794 thousand). The adoption of SFAS 133 and 138 will not alter Ricoh’s hedging strategies.

### 3. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accounts of the Company and its domestic subsidiaries are maintained in yen. The accompanying consolidated financial statements as of March 31, 2001 and for the three years then ended have been presented in yen, and for the convenience of the reader the consolidated financial statements for fiscal 2001 have also been presented in U.S. dollars by arithmetically translating all yen amounts by using the exchange rate of ¥126 to US\$1 in effect at March 31, 2001.

The books of the Company and its domestic subsidiaries are maintained in conformity with Japanese accounting principles and accounting practices. Foreign subsidiaries maintain their books in conformity with those of the countries of their domicile.

The accompanying financial statements are presented on a consolidated basis and reflect certain adjustments, not recorded in the companies’ books, to present them in conformity with accounting principles generally accepted in the United States of America, modified for the accounting for stock splits (see Note 2(m)). The principal adjustments relate to accounting for the bonds with detachable stock purchase warrants, translating bonds in foreign currencies at the current exchange rates, accounting for certain investments in debt and equity securities, accounting for the impairment of long-lived assets and for long-lived assets to be disposed of, adjusting accrued pension and severance costs and certain other accrued expenses, accounting for sales-type leases and providing for the income tax effect of such adjustments.

### 4. ACQUISITION

In January 2001, Ricoh completed a take-over bid (“TOB”) for Lanier Worldwide, Inc. (“Lanier”). As a result of this acquisition, Lanier became a wholly-owned subsidiary that distributes Lanier brand name office equipment products in the global marketplace.

The TOB was accounted for as a purchase transaction. The excess of purchase price over the estimated fair value of the net assets acquired in the TOB is being amortized over 20 years.

The post-acquisition period for the 2 months ended March 31, 2001, was consolidated in the accompanying financial statements. The following unaudited pro forma information presents the consolidated results of operations for the years ended March 31, 2000 and 2001, as if the acquisition had occurred as of the beginning of each year presented:

The Company’s financial statements distributed to its shareholders in Japan and filed with the Ministry of Finance in Japan are prepared in conformity with Japanese accounting principles and accounting practices and are not consolidated. Such financial statements reported the following amounts for the three years ended March 31, 2001:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Net sales	¥720,503	¥777,501	<b>¥855,499</b>	<b>\$6,789,675</b>
Net income	18,977	22,613	<b>34,404</b>	<b>273,048</b>

The amount of retained earnings legally available for distribution (and for the requisite appropriation to legal reserve) is that recorded in the Company’s books and amounted to ¥222,693 million (\$1,767,405 thousand) as of March 31, 2001 (see Note 12).

Since 1978, the Company has translated its consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America for filing with the Ministry of Finance in Japan.

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Net sales	¥1,574,465	<b>¥1,624,036</b>	<b>\$12,889,175</b>
Net income	43,861	<b>49,474</b>	<b>392,651</b>
	Yen		U.S. dollars
	2000	2001	2001
Net income per share of common stock—			
Basic	¥63.41	<b>¥71.43</b>	<b>\$0.57</b>
Diluted	58.63	<b>66.03</b>	<b>0.52</b>

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the acquisition been made at the beginning of the respective years or of results which may occur in the future.

## 5. FINANCE RECEIVABLES

Finance receivables as of March 31, 2000 and 2001 are comprised of lease receivables and installment loans.

The Company's products are leased to customers primarily through Ricoh Leasing Company, Ltd., a major subsidiary. These leases are accounted for as sales-type leases in conformity with SFAS No.13. Revenues from sales-type leases are recognized at the inception of the lease.

Information pertaining to Ricoh's lease receivables as of March 31, 2000 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Minimum lease payments receivable	¥ 383,488	¥ <b>444,963</b>	<b>\$3,531,452</b>
Unearned income	(41,477)	<b>(49,995)</b>	<b>(396,786)</b>
Allowance for doubtful receivables	(12,518)	<b>(14,069)</b>	<b>(111,658)</b>
Net lease receivables	¥ 329,493	¥ <b>380,899</b>	<b>\$3,023,008</b>

As of March 31, 2001, the minimum lease payments receivable due in each of the next five years and thereafter are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ <b>141,888</b>	<b>\$ 1,126,095</b>
2003	<b>119,619</b>	<b>949,357</b>
2004	<b>93,459</b>	<b>741,738</b>
2005	<b>59,428</b>	<b>471,651</b>
2006	<b>24,577</b>	<b>195,056</b>
2007 and thereafter	<b>5,992</b>	<b>47,555</b>
Total	¥ <b>444,963</b>	<b>\$ 3,531,452</b>

Installment loans, net of allowance for doubtful receivables, as of March 31, 2000 and 2001 are primarily comprised of housing loans and term loans aggregating ¥43,368 million and ¥47,891 million (\$380,087 thousand), respectively.

Ricoh sold finance receivables of ¥45,200 million, ¥18,519 million and ¥29,996 million (\$238,063 thousand) for the years ended March 31, 1999, 2000 and 2001, respectively.

## 6. SECURITIES

Marketable securities and investment securities as of March 31, 2000 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Marketable securities:			
Available-for-sale securities	¥128,768	¥ <b>62,213</b>	<b>\$493,754</b>
Investment securities:			
Available-for-sale securities	¥ 26,164	¥ <b>46,231</b>	<b>\$366,913</b>
Non-marketable equity securities	2,621	<b>2,845</b>	<b>22,579</b>
	¥ 28,785	¥ <b>49,076</b>	<b>\$389,492</b>

The non-marketable equity securities as of March 31, 2000 and 2001 primarily relate to less than 20% owned companies and are stated at cost.

The current and noncurrent security types of available-for-sale securities, and the respective cost, gross unrealized holding gains, gross unrealized holding losses and fair value as of March 31, 2000 and 2001 are as follows:

	Millions of yen							
	2000				2001			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:								
Equity securities	¥ 2,993	¥ 238	¥ 480	¥ 2,751	¥ —	¥ —	¥ —	¥ —
Japanese and foreign governmental bond securities	1,012	43	2	1,053	997	10	—	1,007
Corporate debt securities	33,640	602	10	34,232	7,062	2	12	7,052
Bank debt securities	158	—	5	153	—	—	—	—
Other	90,508	106	35	90,579	54,168	5	19	54,154
	¥ 128,311	¥ 989	¥ 532	¥ 128,768	¥ 62,227	¥ 17	¥ 31	¥ 62,213
Noncurrent:								
Equity securities	¥ 6,791	¥ 15,441	¥ 221	¥ 22,011	¥ 7,686	¥ 8,805	¥ 453	¥ 16,038
Corporate debt securities	4,147	—	34	4,113	21,587	2,656	53	24,190
Other	40	—	—	40	7,639	6	1,642	6,003
	¥ 10,978	¥ 15,441	¥ 255	¥ 26,164	¥ 36,912	¥ 11,467	¥ 2,148	¥ 46,231

	Thousands of U.S. dollars			
	2001			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Equity securities	\$ —	\$ —	\$ —	\$ —
Japanese and foreign governmental bond securities	7,913	79	—	7,992
Corporate debt securities	56,047	16	95	55,968
Bank debt securities	—	—	—	—
Other	429,905	40	151	429,794
	\$ 493,865	\$ 135	\$ 246	\$ 493,754
Noncurrent:				
Equity securities	\$ 61,000	\$ 69,881	\$ 3,595	\$ 127,286
Corporate debt securities	171,325	21,079	420	191,984
Other	60,627	48	13,032	47,643
	\$ 292,952	\$ 91,008	\$ 17,047	\$ 366,913

Other current securities include money management funds of ¥38,868 million and ¥38,665 million (\$306,865 thousand) as of March 31, 2000 and 2001, respectively, and investment trust consisting of investment in marketable debt and

equity securities.

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2001, regardless of their balance sheet classification, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair value	Cost	Fair value
Due within one year	¥ 69,856	¥ 68,206	\$ 554,412	\$ 541,317
Due after one year through five years	21,597	24,200	171,405	192,064
	¥ 91,453	¥ 92,406	\$ 725,817	\$ 733,381

Proceeds from the sales of available-for-sale securities were ¥54,777 million, ¥24,534 million and ¥93,705 million (\$743,690 thousand) for the years ended March 31, 1999, 2000 and 2001, respectively.

In March 2000, Ricoh contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, to an employee retirement benefit trust fully administered and controlled by an independent bank trustee, with no cash proceeds thereon. The transfer of the available-for-sale securities

has been accounted for as a sale in accordance with SFAS No. 125 and accordingly the recorded pension liability has been reduced by the fair market value amount of the transferred securities. The fair value of these securities at the time of contribution was ¥20,760 million. The net unrealized gain of these available-for-sale securities amounting to ¥13,095 million continues to be included in "Accumulated other comprehensive income (loss)" on the consolidated balance sheets and will only be reflected in realized gains in the statement of income up-

on the future sale of the transferred securities by the trustee.

The gross realized gains on sale of available-for-sale securities were ¥1,589 million, ¥1,601 million and ¥2,898 million (\$23,000 thousand) for the years ended March 31, 1999, 2000 and 2001, respectively. There were no significant re-

alized losses on sales of available-for-sale securities for the three years ended March 31, 2001.

## 7. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The investments in and advances to affiliates primarily relate to 20% to 50% owned companies. Included in these companies is COCA-COLA WEST JAPAN COMPANY, LIMITED, a 21.4% owned major affiliate. The common stock of this company is publicly traded. The carrying value of the investment in this company was equal to its underlying book value and amounted to ¥33,842 million (\$268,587 thousand) as of March 31, 2001. The quoted market value of this company was ¥46,190 million (\$366,587 thousand) as of March 31, 2001.

In May 1999, KITAKYUSHU COCA-COLA BOTTLING COMPANY, LIMITED made a special allotment offering of new securities to a third party. Also, it merged with SANYO COCA-COLA BOTTLING CO., LTD., as of July 1, 1999 and changed its entity's name to COCA-COLA WEST JAPAN COMPANY, LIMITED. As a result of these events, the Company's ownership interest in this company decreased to 22.4% while the underlying equity value was not adversely affected.

Ricoh Elemex Corporation, a 44.8% owned major affiliate of which common stock is publicly traded, became a consolidated subsidiary in fiscal 1999, as a result of it being merged with a consolidated subsidiary and purchase of certain ownership interest. In the accompanying consolidated financial statements, the investment in Ricoh Elemex Corporation through September 30, 1998, was accounted for on the equity basis, while the post-acquisition period for the six months ended March 31, 1999 was consolidated. The effect on the consolidated results of operations for the year ended March 31, 1999, if Ricoh Elemex Corporation had been consolidated at the beginning of that year, was not significant.

The underlying book value of the other 20% to 50% owned companies is approximately the same as their carrying value.

Summarized unaudited financial information for all affiliates as of March 31, 2000 and 2001 and for the three years ended March 31, 2001 is as follows:

### Financial Position

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Assets—			
Current assets	¥134,795	¥124,244	\$ 986,064
Other assets	108,514	103,347	820,214
	¥243,309	¥227,591	\$1,806,278
Liabilities and shareholders' investment—			
Current liabilities	¥ 38,619	¥ 30,457	\$ 241,722
Short-term borrowings and long-term indebtedness	7,670	6,653	52,802
Other liabilities	6,358	5,322	42,238
Shareholders' investment	190,662	185,159	1,469,516
	¥243,309	¥227,591	\$1,806,278

### Operations

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Sales	¥240,422	¥229,825	¥263,804	\$2,093,682
Costs and expenses	228,547	217,316	254,137	2,016,960
Net income	¥ 11,875	¥ 12,509	¥ 9,667	\$ 76,722

The significant transactions of Ricoh with these affiliates for the three years ended March 31, 2001, and the related account balances at March 31, 2000 and 2001 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Transactions—				
Sales	¥32,057	¥23,231	¥20,952	\$166,286
Purchases	34,992	13,412	13,673	108,516
Dividend income	1,168	1,651	1,008	8,000

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2001	2001
Account balances—				
Receivables	¥4,406	¥6,398	¥6,398	\$50,778
Payables	3,030	1,979	1,979	15,706

As of March 31, 2001, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥32,681 million (\$259,373 thousand).

## 8. INCOME TAXES

Income before income taxes, minority interests and equity in earnings of affiliates and provision for income taxes for the three years ended March 31, 2001 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Income before income taxes, minority interests and equity in earnings of affiliates—				
Domestic	¥ 35,873	¥49,135	<b>¥77,820</b>	<b>\$617,619</b>
Foreign	17,181	21,258	<b>19,945</b>	<b>158,294</b>
	¥ 53,054	¥70,393	<b>¥97,765</b>	<b>\$775,913</b>
Provision for income taxes—				
Current:				
Domestic	¥ 20,389	¥38,105	<b>¥45,684</b>	<b>\$362,572</b>
Foreign	7,663	8,311	<b>7,822</b>	<b>62,079</b>
	28,052	46,416	<b>53,506</b>	<b>424,651</b>
Deferred:				
Domestic	(4,297)	(19,110)	<b>(10,380)</b>	<b>(82,381)</b>
Foreign	800	1,057	<b>386</b>	<b>3,064</b>
	(3,497)	(18,053)	<b>(9,994)</b>	<b>(79,317)</b>
Consolidated provision for income taxes	¥ 24,555	¥28,363	<b>¥43,512</b>	<b>\$345,334</b>

Total income taxes are allocated as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Provision for income taxes	¥ 24,555	¥28,363	<b>¥43,512</b>	<b>\$345,334</b>
Shareholders' investment:				
Net unrealized holding gains (losses) on available-for-sale securities	(3,442)	2,072	<b>629</b>	<b>4,992</b>
Pension liability adjustment	(4,052)	15,572	<b>(15,818)</b>	<b>(125,539)</b>
Translation adjustments	(3,467)	(3,723)	<b>(1,252)</b>	<b>(9,937)</b>
	¥ 13,594	¥42,284	<b>¥27,071</b>	<b>\$214,850</b>

Reconciliations of the normal tax rates in Japan with the effective tax rates for the three years ended March 31, 2001, are as follows:

	1999	2000	2001
Normal tax rate	47%	42%	<b>42%</b>
Permanently nondeductible expenses, net of nontaxable income	(2)	3	<b>2</b>
Decrease in the beginning-of-the-year balance of the valuation allowance for deferred tax assets	(10)	(2)	<b>(2)</b>
Effect of change in enacted tax rate	8	—	—
Other, net	3	(3)	<b>3</b>
Effective tax rate	46%	40%	<b>45%</b>

Permanently nondeductible expenses include directors' bonuses and entertainment expenses. Permanently nontaxable income includes dividends received and exported technology fees.

The tax effect of temporary differences giving rise to the consolidated deferred income tax assets and liabilities at March 31, 2000 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
<b>Assets:</b>			
Intercompany profits and inventory write-downs	¥ 21,571	¥ 25,247	\$ 200,373
Accrued expenses	11,197	19,993	158,675
Depreciation	5,399	3,570	28,333
Accrued pension and severance costs	14,585	31,230	247,857
Net operating losses carryforward	6,919	14,439	114,595
Other	22,603	11,826	93,857
	82,274	106,305	843,690
Less—Valuation allowance	(8,157)	(8,403)	(66,690)
	¥ 74,117	¥ 97,902	\$ 777,000
<b>Liabilities:</b>			
Sales-type leases	¥ (8,029)	¥ (5,577)	\$ (44,262)
Undistributed earnings of foreign subsidiaries and affiliates	(7,652)	(9,626)	(76,397)
Net unrealized holding gains on available-for-sale securities	(9,583)	(9,397)	(74,579)
Other	(1,928)	(2,676)	(21,238)
	¥ (27,192)	¥ (27,276)	\$ (216,476)
Net deferred tax assets	¥ 46,925	¥ 70,626	\$ 560,524

Net deferred tax assets as of March 31, 2000 and 2001 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Deferred income taxes (Current Assets)	¥ 37,658	¥ 54,306	\$ 431,000
Lease deposits and other	26,951	37,361	296,516
Accrued expenses and other	(221)	(416)	(3,302)
Deferred income taxes (Long-Term Liabilities)	(17,463)	(20,625)	(163,690)
	¥ 46,925	¥ 70,626	\$ 560,524

The net changes in the total valuation allowance for the three years ended March 31, 2001 were decreases of ¥5,486 million and ¥114 million and an increase of ¥246 million (\$1,952 thousand), respectively.

The valuation allowance was established to reduce the deferred tax assets to the amount that is expected to be realized. The valuation allowance principally relates to the tax effects of net operating losses recorded by certain subsidiaries.

At March 31, 2001, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥43,489 million (\$345,151 thousand) which were available to reduce future income taxes, if any. Approximately ¥12,006 million (\$95,286 thousand) of the operating losses expire within a five-year period while the remainder principally have an indefinite carryforward period.

## 9. SHORT-TERM BORROWINGS AND TRADE NOTES RECEIVABLE DISCOUNTED WITH BANKS

Short-term borrowings as of March 31, 2000 and 2001 consist of the following:

	Weighted average interest rate		Millions of yen		Thousands of U.S. dollars
	2000	2001	2000	2001	2001
Borrowings, principally from banks	2.1%	3.3%	¥ 118,081	¥ 131,902	\$ 1,046,841
Commercial paper	0.1	2.2	32,000	63,868	506,889
			¥ 150,081	¥ 195,770	\$ 1,553,730

The Company and certain of its subsidiaries regularly discount trade notes receivable on a full recourse basis with banks. These trade notes receivable discounted are contingent liabilities. The weighted average interest rates on these

trade notes receivable discounted were 4.3% as of March 31, 2000 and 4.8% as of March 31, 2001, respectively.

The Company and certain of its subsidiaries had unused lines of credit amounting to ¥527,925 million (\$4,189,881 thousand) of which ¥323,101 mil-

lion (\$2,564,294 thousand) related to commercial paper and medium-term notes programs at prevailing interest rates.

## 10. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2000 and 2001 consists of the following:

	Conversion	Millions of yen		Thousands of
	price (Per share)	2000	2001	U.S. dollars 2001
Convertible bonds—				
1.8%, payable in yen, due March 2002	¥ 824.70	¥ 1,417	¥ 1,298	\$ 10,302
1.5%, payable in yen, due March 2002	993.00	33,287	32,764	260,032
0.35%, payable in yen, due March 2003	1,210.00	29,891	29,889	237,214
0.4%, payable in yen, due September 2002 issued by a consolidated subsidiary	1,594.40	6,208	5,764	45,746
0.375%, payable in yen, due March 2001 issued by a consolidated subsidiary	1,100.00	2,990	—	—
Total convertible bonds		73,793	69,715	553,294
Bonds—				
2.075%, straight bonds, payable in yen, due April 2005		40,000	40,000	317,460
2.9%, straight bonds, payable in yen, due August 2001		10,000	10,000	79,365
1.17%, straight bonds, payable in yen, due June 2004		10,000	10,000	79,365
0.9%, straight bonds, payable in yen, due June 2003		5,000	5,000	39,683
2.1%, straight bonds, payable in yen, due October 2009		10,000	10,000	79,365
1.1%, straight bonds, payable in yen, due February 2004		10,000	10,000	79,365
Medium term notes, 0.05%–6.33%, due through 2008		12,179	1,239	9,834
Total bonds		97,179	86,239	684,437
Unsecured loans—				
Banks and insurance companies, 0.15%–15.30%, due through 2020		179,498	174,365	1,383,849
Secured loans—				
Banks, insurance companies, and other financial institution, 0%–18.36%, due through 2013		10,673	9,522	75,571
Capital lease obligations (see Note 2 (f))		3,900	3,317	26,325
Total		365,043	343,158	2,723,476
Less—Current maturities included in current liabilities		(57,081)	(125,415)	(995,357)
		¥ 307,962	¥ 217,743	\$ 1,728,119

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥6,661 million (\$52,865 thousand) as of March 31, 2001.

The convertible bonds are convertible into common stock at the option of the holders, currently at applicable conversion prices per share as listed in the above table. These conversion prices are subject to adjustment in certain events including subsequent stock splits and shares subsequently issued at less than market value.

The convertible bonds and some straight bonds outstanding as of March 31, 2001 are redeemable at the option of the Company at prices ranging from 100% to 101% of the principal amount under certain conditions as provided in the applicable agreements.

If all convertible bonds of the Company were converted as of March 31, 2001, 59,271 thousand shares of common stock would be issuable.

Convertible bonds and the other bonds are subject to certain covenants such as restrictions on dividends, earnings and certain additional secured indebtedness, as defined in the agreements. The Company presently estimates that none of such covenants would be applicable to the outstanding bonds.

Certain loan agreements provide, among other things, that the lender may request the Company to submit proposals for appropriations of earnings (includ-

ing payment of dividends) to the lender for its review and approval prior to presentation to the shareholders. The Company has never been requested to submit such proposals for approval. In addition, as is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that the banks may request additional security for these loans if there is reasonable and probable cause and may treat any security furnished to the banks as well as cash deposited as security for all present and future indebtedness. The Company has never been requested to submit such additional security.

The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2002 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 48,160	\$ 382,222
2004	46,704	370,667
2005	28,805	228,611
2006	62,409	495,309
2007 and thereafter	31,665	251,310
Total	¥ 217,743	\$ 1,728,119

## 11. PENSION AND RETIREMENT ALLOWANCES PLANS

The Company and certain of its subsidiaries have various trustee contributory and noncontributory employees pension fund ("EPF") plans covering substantially all of their employees. Under the plans, employees are entitled to lump-sum payments at the time of termination or retirement, or to pension payments. Under the terms of the domestic EPF plan, the Government welfare pension insurance benefit is substituted and commingled with the primary benefit provided by the plan.

The amounts of lump-sum or pension payments under the plans are generally determined on the basis of length of service and remuneration at the time of termination.

It is the Company's policy to fund amounts required to maintain sufficient plan assets to provide for accrued benefits based on a certain percentage of wage and salary costs. The plan assets consist principally of interest-bearing bonds and listed equity securities.

The changes in the benefit obligation and plan assets of the defined benefit plans for the two years ended March 31, 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 364,814	¥ 368,026	\$ 2,920,841
Service cost	16,872	15,449	122,611
Interest cost	13,282	11,706	92,905
Plan participants' contributions	1,496	1,513	12,008
Actuarial loss (gain)	(12,464)	18,024	143,048
Acquisition	—	16,712	132,635
Benefits paid	(11,526)	(10,586)	(84,016)
Foreign exchange impact	(4,448)	3,332	26,444
Benefit obligation at end of year	¥ 368,026	¥ 424,176	\$ 3,366,476
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 227,909	¥ 285,830	\$ 2,268,492
Actual return on plan assets	37,147	(31,986)	(253,857)
Acquisition	—	12,402	98,429
Employer contribution	34,030	11,879	94,278
Plan participants' contributions	1,496	1,513	12,008
Benefits paid	(10,078)	(7,959)	(63,167)
Foreign exchange impact	(4,674)	2,644	20,984
Fair value of plan assets at end of year	¥ 285,830	¥ 274,323	\$ 2,177,167
Funded status	¥ (82,196)	¥ (149,853)	\$ (1,189,309)
Unrecognized net actuarial loss	52,495	113,056	897,269
Unrecognized net asset at transition, net of amortization	(3,783)	(3,492)	(27,714)
Net amount recognized	¥ (33,484)	¥ (40,289)	\$ (319,754)
Amounts recognized in the balance sheets consist of:			
Prepaid benefit cost	¥ 1,742	¥ 1,575	\$ 12,500
Accrued benefit liability	(38,271)	(82,706)	(656,397)
Accumulated other comprehensive income, gross of tax	3,045	40,842	324,143
Net amount recognized	¥ (33,484)	¥ (40,289)	\$ (319,754)
	2000	2001	
Discount rate	3.0% - 7.25%	3.0% - 7.75%	
Rate of increase in compensation levels	3.7% - 5.5%	3.7% - 5.5%	
Expected long-term rate of return on plan assets	4.5% - 9.0%	4.5% - 9.0%	

The discount rate, rate of increase in compensation and expected long-term rate of return on plan assets of domestic pension plans were 3.0%, 3.7% and 4.5%, respectively, for the years ended March 31, 2000 and 2001. The other data shown

above are those of foreign pension plans.

The net periodic benefit costs of the defined benefit plans for the three years ended March 31, 2001 consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Service costs	¥ 18,662	¥ 16,872	<b>¥ 15,449</b>	<b>\$ 122,611</b>
Interest costs	13,365	13,282	<b>11,706</b>	<b>92,905</b>
Expected return on plan assets	(10,306)	(8,611)	<b>(13,410)</b>	<b>(106,429)</b>
Net amortization	3,210	3,812	<b>1,123</b>	<b>8,913</b>
Net periodic benefit cost	¥ 24,931	¥ 25,355	<b>¥ 14,868</b>	<b>\$ 118,000</b>

The projected benefit obligations, accumulated benefit obligations, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were ¥23,178 million, ¥18,566 million and ¥8,253 million respectively, as of March 31, 2000 and ¥303,113 million (\$2,405,659 thousand), ¥247,897 million (\$1,967,437 thousand) and ¥213,929 million (\$1,697,849 thousand), respectively, as of March 31, 2001.

In accordance with the provisions of SFAS No. 87, the Company was required to record an adjustment for minimum pension liability at March 31, 2000 and 2001. This liability represents the excess of the accumulated benefit obligations over the fair value of plan assets. This excess is primarily attributable to a substantial reduction in the discount rate used in pension calculation and represents a net loss not yet recognized as net periodic pension cost. Since there is no unrecognized prior service cost, this excess is reported in an accumulated other com-

prehensive income (loss), at net of tax benefits. The net changes in pension liability adjustment were a decrease of ¥17,245 million for the year ended March 31, 2000 and an increase of ¥21,979 million (\$174,436 thousand) for the year ended March 31, 2001, respectively.

As discussed in Note 6, Ricoh contributed certain marketable equity securities to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets under SFAS No. 87.

Employees of certain subsidiaries not covered by the EPF plan and directors of Ricoh are primarily covered by unfunded retirement allowances plans. The payments to directors are subject to shareholders' approval.

The tables presented in the preceding paragraph were restated to reflect the funded status of those retirement benefit plans for employees of certain subsidiaries.

## 12. SHAREHOLDERS' INVESTMENT

The Japanese Commercial Code provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings with respect to each fiscal or interim six-month period be appropriated as a legal reserve until such reserve equals 25% of the stated capital. This reserve and additional paid-in capital are not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

Semiannual cash dividends are approved by the shareholders after the end of each fiscal period or are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each such fiscal or interim six-month period. At the general meeting held on June 28, 2001, the shareholders approved the declaration of a cash

dividend on the common stock totaling ¥4,156 million (\$32,984 thousand), which will be paid to shareholders of record as of March 31, 2001, and the related appropriation of retained earnings totaling ¥432 million (\$3,429 thousand) by a transfer to the legal reserve. In accordance with the Japanese Commercial Code, the declaration of this dividend and the related transfer of retained earnings to the legal reserve have not been reflected in the consolidated financial statements as of March 31, 2001.

The Japanese Commercial Code provides that at least one-half of the proceeds from shares issued at a price in excess of par value be included in common stock. In conformity therewith, the Company has divided the principal amount of bonds converted into common stock equally between common stock and additional paid-in capital.

### 13. OTHER COMPREHENSIVE INCOME (LOSS)

Tax effects allocated to each component of other comprehensive income (loss) are as follows:

	Millions of yen		
	Before-tax amount	Tax expense	Net-of-tax amount
<b>1999:</b>			
Foreign currency translation adjustments	¥ (5,684)	¥ 3,467	¥ (2,217)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	(5,777)	2,688	(3,089)
Less—Reclassification adjustment for gains (losses) realized in net income	(1,589)	754	(835)
Net unrealized gains (losses)	(7,366)	3,442	(3,924)
Minimum pension liability adjustment	(8,561)	4,052	(4,509)
Other comprehensive income (loss)	¥ (21,611)	¥ 10,961	¥ (10,650)
<b>2000:</b>			
Foreign currency translation adjustments	¥ (11,117)	¥ 3,723	¥ (7,394)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	13,028	(2,742)	10,286
Less—Reclassification adjustment for gains (losses) realized in net income	(1,601)	670	(931)
Net unrealized gains (losses)	11,427	(2,072)	9,355
Minimum pension liability adjustment	32,817	(15,572)	17,245
Other comprehensive income (loss)	¥ 33,127	¥ (13,921)	¥ 19,206
<b>2001:</b>			
Foreign currency translation adjustments	¥ (2,992)	¥ 1,252	¥ (1,740)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	(3,440)	(1,842)	(5,282)
Less—Reclassification adjustment for gains (losses) realized in net income	(2,898)	1,213	(1,685)
Net unrealized gains (losses)	(6,338)	(629)	(6,967)
Minimum pension liability adjustment	(37,797)	15,818	(21,979)
Other comprehensive income (loss)	¥ (47,127)	¥ 16,441	¥ (30,686)
<b>2001:</b>			
	Thousands of U.S. dollars		
Foreign currency translation adjustments	\$ (23,747)	\$ 9,937	\$ (13,810)
Unrealized gain (loss) on securities:			
Unrealized holding gains (losses) arising during the year	(27,302)	(14,619)	(41,921)
Less—Reclassification adjustment for gains (losses) realized in net income	(23,000)	9,627	(13,373)
Net unrealized gains (losses)	(50,302)	(4,992)	(55,294)
Minimum pension liability adjustment	(299,975)	125,539	(174,436)
Other comprehensive income (loss)	\$ (374,024)	\$ 130,484	\$ (243,540)

Changes in accumulated other comprehensive income (loss) are as follows:

	Millions of yen				Accumulated other comprehensive income (loss)
	Foreign currency translation adjustments	Unrealized gains on securities	Minimum pension liability adjustment		
<b>1999:</b>					
Beginning balance	¥ (10,190)	¥ 12,868	¥ (14,336)	¥ (11,658)	
Change during the year	(2,217)	(3,924)	(4,509)	(10,650)	
Ending balance	¥ (12,407)	¥ 8,944	¥ (18,845)	¥ (22,308)	
<b>2000:</b>					
Beginning balance	¥ (12,407)	¥ 8,944	¥ (18,845)	¥ (22,308)	
Change during the year	(7,394)	9,355	17,245	19,206	
Ending balance	¥ (19,801)	¥ 18,299	¥ (1,600)	¥ (3,102)	
<b>2001:</b>					
Beginning balance	¥ (19,801)	¥ 18,299	¥ (1,600)	¥ (3,102)	
Change during the year	(1,740)	(6,967)	(21,979)	(30,686)	
Ending balance	¥ (21,541)	¥ 11,332	¥ (23,579)	¥ (33,788)	
<b>2001:</b>					
	Thousands of U.S. dollars				
Beginning balance	\$ (157,150)	\$ 145,230	\$ (12,699)	\$ (24,619)	
Change during the year	(13,810)	(55,294)	(174,436)	(243,540)	
Ending balance	\$ (170,960)	\$ 89,936	\$ (187,135)	\$ (268,159)	

## 14. PER SHARE DATA

Dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved or to be approved after such March 31, but applicable to the year then ended.

The following table sets forth the computation of basic and diluted earnings per share showing the reconciliation of the numerators and denominators used for the computation.

	Thousands of shares		
	1999	2000	2001
Average common shares outstanding	691,592	691,745	<b>692,617</b>
Effect of dilutive securities:			
Convertible bonds—			
1.8%, payable in yen, due March 2002	1,802	1,743	<b>1,636</b>
1.5%, payable in yen, due March 2002	33,658	33,604	<b>33,070</b>
0.35%, payable in yen, due March 2003	24,974	24,934	<b>24,703</b>
Diluted common shares outstanding	752,026	752,026	<b>752,026</b>

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Net income applicable to common shareholders	¥ 30,655	¥ 41,928	<b>¥ 53,228</b>	<b>\$ 422,444</b>
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	15	15	<b>14</b>	<b>111</b>
1.5%, payable in yen, due March 2002	272	300	<b>295</b>	<b>2,341</b>
0.35%, payable in yen, due March 2003	110	120	<b>119</b>	<b>945</b>
Other	(266)	(204)	<b>(249)</b>	<b>(1,976)</b>
Diluted net income	¥ 30,786	¥ 42,159	<b>¥ 53,407</b>	<b>\$ 423,865</b>

	Yen			U.S. dollars
	1999	2000	2001	2001
Earnings per share:				
Basic	¥ 44.33	¥ 60.61	<b>¥ 76.85</b>	<b>\$ 0.61</b>
Diluted	40.94	56.06	<b>71.02</b>	<b>0.56</b>

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and certain of its subsidiaries enter into various financial instrument contracts in the normal course of business and in connection with the management of their assets and liabilities.

The Company and certain of its subsidiaries enter into foreign currency contracts and foreign currency options to hedge assets and liabilities denominated in foreign currencies. The notional amounts of foreign currency contracts outstanding as of March 31, 2000 and 2001 were ¥91,627 million and ¥73,722 million (\$585,095 thousand), respectively. The notional amounts of foreign currency options outstanding as of March 31, 2001 were ¥25,820 million (\$204,921 thousand). Gains or losses on those contracts used to hedge existing assets and liabilities are recognized in income currently.

In connection with short-term borrowings and long-term indebtedness, the Company and certain of its subsidiaries have used interest rate swap agreements

as a means of managing their interest exposure; at March 31, 2000 and 2001, they had ¥378,010 million and ¥287,161 million (\$2,279,056 thousand) of contractual amounts under interest rate swap agreements. Interest rate swap transactions generally involve the exchange of floating rate for fixed rate interest payment obligations without an exchange of underlying principal amounts. The differentials to be paid or received under the interest rate swap agreements are accrued.

The counterparties to the above financial instrument contracts are major financial institutions and, therefore, the Company and certain of its subsidiaries are exposed to credit risk in the event of nonperformance by counterparties. However, the Company does not anticipate nonperformance by them.

## 16. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2001, Ricoh had outstanding contractual commitments for acquisition or construction of plant, equipment and other assets aggregating ¥1,355 million (\$10,754 thousand).

Ricoh is contingently liable for discounted trade notes receivable on a full recourse basis with banks of ¥157 million (\$1,246 thousand) as of March 31, 2001. As of March 31, 2001, Ricoh is also contingently liable as guarantor for employees' housing loans of ¥901 million (\$7,151 thousand).

Ricoh made rental payments totaling ¥46,307 million in fiscal 1999, ¥43,797

million in fiscal 2000, and ¥39,956 million (\$317,111 thousand) in fiscal 2001, under operating lease agreements for office space and machinery and equipment, which are primarily cancelable and renewable.

At March 31, 2001, the Company and certain of its subsidiaries were parties to litigation involving routine matters, such as patent rights. In the opinion of management, the ultimate liability, if any, resulting from such litigation will not materially affect the consolidated financial position or the results of operations of Ricoh.

## 17. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

### (a) Cash and cash equivalents, Time deposits, Trade receivables, Short-term borrowings, Current maturities of long-term indebtedness, Trade payables and Accrued expenses

The carrying amounts approximate fair values because of the short maturities of these instruments.

### (b) Marketable securities and Investment securities

The fair value of the marketable securities and investment securities is principally based on quoted market price.

### (c) Long-term indebtedness

The fair value of each of the long-term indebtedness instruments is based on the quoted price in the most active market or the present value of future cash flows

associated with each instrument discounted using the current borrowing rate for similar instruments of comparable maturity.

### (d) Interest rate swap agreements

The fair value of interest rate swap agreements is estimated by obtaining quotes from brokers.

### (e) Foreign currency contracts and foreign currency options

The fair value of foreign currency contracts and foreign currency options (used for hedging purposes) is estimated by obtaining quotes from brokers.

The estimated fair value of the financial instruments as of March 31, 2000 and 2001 is summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2000		2001		2001	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Marketable securities and Investment securities	¥ 157,553	¥ 157,553	¥ 111,289	¥ 111,289	\$ 883,246	\$ 883,246
Long-term indebtedness	(307,962)	(379,727)	(217,743)	(252,964)	(1,728,119)	(2,007,651)
Interest rate swap agreements, net	(47)	2,685	189	4,480	1,500	35,556
Foreign currency contracts, net credit	2,314	2,102	(386)	(3,068)	(3,063)	(24,349)
Foreign currency options, net	—	—	—	(292)	—	(2,317)

### Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment

and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## 18. SEGMENT INFORMATION

The operating segments presented below are the segments of Ricoh for which separate financial information is available and for which income before income taxes is evaluated regularly by Ricoh's management in deciding how to allocate resources and in assessing performance. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies, as discussed in Note 1.

Ricoh's operating segments are comprised of office equipment, including copiers and related supplies, communications and information systems, and others, including optical equipment and electronic devices.

The following tables present certain information regarding Ricoh's operating segments and operations by geographic areas as of March 31, 1999, 2000 and 2001 and for the periods then ended.

### (a) Operating Segment Information

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Sales—				
Office equipment	¥ 1,250,938	¥ 1,253,070	¥ 1,338,374	\$ 10,622,016
Other	179,084	197,490	205,095	1,627,738
Intersegment transaction	(4,023)	(3,403)	(5,207)	(41,325)
Consolidated	¥ 1,425,999	¥ 1,447,157	¥ 1,538,262	\$ 12,208,429
Operating expenses—				
Office equipment	¥ 1,139,690	¥ 1,124,675	¥ 1,195,834	\$ 9,490,746
Other	175,239	191,447	191,909	1,523,087
Intersegment transaction	(4,049)	(3,410)	(5,218)	(41,412)
Unallocated expense	41,572	45,524	50,632	401,841
Consolidated	¥ 1,352,452	¥ 1,358,236	¥ 1,433,157	\$ 11,374,262
Operating income—				
Office equipment	¥ 111,248	¥ 128,395	¥ 142,540	\$ 1,131,270
Other	3,845	6,043	13,186	104,651
Elimination	(41,546)	(45,517)	(50,621)	(401,754)
Consolidated	¥ 73,547	¥ 88,921	¥ 105,105	\$ 834,167
Other expenses	¥ (20,493)	¥ (18,528)	¥ (7,340)	\$ (58,254)
Income before minority interests and equity in earnings of affiliates	¥ 53,054	¥ 70,393	¥ 97,765	\$ 775,913

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
<b>Total assets—</b>				
Office equipment	¥ 1,050,067	¥ 965,316	¥ 1,179,499	\$ 9,361,103
Other	161,246	161,017	180,164	1,429,873
Elimination	(7,690)	(7,509)	(9,116)	(72,349)
Corporate assets	424,394	424,496	354,244	2,811,460
Consolidated	¥ 1,628,017	¥ 1,543,320	¥ 1,704,791	\$ 13,530,087
<b>Expenditure for segment assets—</b>				
Office equipment	¥ 61,626	¥ 51,817	¥ 61,836	\$ 490,762
Other	7,370	5,561	10,235	81,230
Corporate assets	1,473	978	1,258	9,984
Consolidated	¥ 70,469	¥ 58,356	¥ 73,329	\$ 581,976
<b>Depreciation—</b>				
Office equipment	¥ 57,033	¥ 54,046	¥ 52,908	\$ 419,905
Other	8,887	6,838	7,598	60,301
Corporate assets	1,536	1,062	1,636	12,984
Consolidated	¥ 67,456	¥ 61,946	¥ 62,142	\$ 493,190

## (b) Geographic Information

Sales which are attributed to countries based on location of customers and long-lived assets for the years ended March 31, 1999, 2000 and 2001 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
<b>Sales—</b>				
Japan	¥ 820,975	¥ 873,170	¥ 930,433	\$ 7,384,389
The Americas	239,623	231,181	252,698	2,005,540
Europe	283,373	258,515	247,449	1,963,881
Other	82,028	84,291	107,682	854,619
Consolidated	¥ 1,425,999	¥ 1,447,157	¥ 1,538,262	\$ 12,208,429
<b>Long-lived assets—</b>				
Japan	¥ 249,494	¥ 227,980	¥ 244,506	\$ 1,940,524
The Americas	33,658	27,490	70,809	561,976
Europe	25,962	22,459	37,557	298,071
Other	13,256	11,181	12,694	100,746
Consolidated	¥ 322,370	¥ 289,110	¥ 365,566	\$ 2,901,317

### (c) Additional Information

The following information shows net sales and operating income recognized by geographic origin for the years ended March 31, 1999, 2000 and 2001. In addition to the disclosure requirements under SFAS No. 131, Ricoh discloses this infor-

mation as supplemental information in light of the disclosure requirements of the Japanese Securities and Exchange Law, which a Japanese public company is subject to.

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Sales—				
Japan				
External customers	¥ 830,731	¥ 885,998	¥ 954,125	\$ 7,572,421
Intersegment	240,352	259,792	279,802	2,220,651
Total	1,071,083	1,145,790	1,233,927	9,793,072
The Americas				
External customers	237,420	230,496	252,029	2,000,230
Intersegment	8,019	5,988	4,470	35,476
Total	245,439	236,484	256,499	2,035,706
Europe				
External customers	290,159	265,621	254,548	2,020,222
Intersegment	6,032	3,355	3,246	25,762
Total	296,191	268,976	257,794	2,045,984
Other				
External customers	67,689	65,042	77,560	615,556
Intersegment	39,218	36,026	39,571	314,055
Total	106,907	101,068	117,131	929,611
Elimination of intersegment sales	(293,621)	(305,161)	(327,089)	(2,595,944)
Consolidated	¥ 1,425,999	¥ 1,447,157	¥ 1,538,262	\$ 12,208,429
Operating expense—				
Japan	¥ 1,020,515	¥ 1,083,227	¥ 1,150,353	\$ 9,129,786
The Americas	233,292	226,210	247,521	1,964,452
Europe	283,816	255,698	246,498	1,956,333
Other	103,701	95,802	110,937	880,453
Elimination of intersegment sales	(288,872)	(302,701)	(322,152)	(2,556,762)
Consolidated	¥ 1,352,452	¥ 1,358,236	¥ 1,433,157	\$ 11,374,262
Operating profit—				
Japan	¥ 50,568	¥ 62,563	¥ 83,574	\$ 663,286
The Americas	12,147	10,274	8,978	71,254
Europe	12,375	13,278	11,296	89,651
Other	3,206	5,266	6,194	49,158
Elimination of intersegment profit	(4,749)	(2,460)	(4,937)	(39,182)
Consolidated	¥ 73,547	¥ 88,921	¥ 105,105	\$ 834,167
Other expense	¥ (20,493)	¥ (18,528)	¥ (7,340)	\$ (58,254)
Income before income tax	¥ 53,054	¥ 70,393	¥ 97,765	\$ 775,913
Total assets—				
Japan	¥ 1,008,764	¥ 956,670	¥ 1,042,557	\$ 8,274,262
The Americas	111,768	93,191	209,638	1,663,794
Europe	138,697	120,587	163,542	1,297,952
Other	53,715	52,791	63,438	503,476
Elimination	(109,321)	(104,415)	(128,628)	(1,020,857)
Corporate assets	424,394	424,496	354,244	2,811,460
Consolidated	¥ 1,628,017	¥ 1,543,320	¥ 1,704,791	\$ 13,530,087

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained for general corporate purposes.

Intersegment sales between geographic areas are made at cost plus profit.

Operating income by geographic area is sales less expense related to the

area's operating revenue.

No single customer accounted for 10% or more of the total revenues for the periods ended March 31, 1999, 2000 and 2001.

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## 19. RESEARCH AND DEVELOPMENT EXPENSES AND ADVERTISING COSTS

The following amounts were charged to costs and expenses for the three years ended March 31, 2001:

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	Millions of yen			Thousands of
	1999	2000	2001	U.S. dollars
Research and development costs	¥ 66,777	¥ 66,524	¥ 78,239	\$ 620,944
Advertising costs	15,555	16,081	18,592	147,556

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# Report of Independent Public Accountants

To the Shareholders and the Board of Directors  
of Ricoh Company, Ltd.:

We have audited the accompanying consolidated balance sheets of RICOH COMPANY, LTD. (a Japanese corporation) and consolidated subsidiaries as of March 31, 2000 and 2001, and the related consolidated statements of income, shareholders' investment and cash flows for each of the three years in the period ended March 31, 2001, expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ricoh Company, Ltd. and its consolidated subsidiaries as of March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America (see Note 2).

In our opinion, the amounts translated into U.S. dollars and presented in the accompanying consolidated financial statements have been computed on the basis set forth in Note 3.



Tokyo, Japan  
June 28, 2001