

Management's Discussion and Analysis of Fiscal 2002 Results

Ricoh continued to improve its performance in fiscal 2002, ended March 31, 2002. During the term, the Company stepped up its drive to transform itself into a global solutions provider. It also cultivated new customers, particularly major accounts, and increased its sales of network equipment and solutions products. Net sales and net income, reached record highs, for the seventh and eighth years, respectively.

Revenues

Net sales increased 8.7%, to ¥1,672.3 billion (\$12,573 million)—the eighth consecutive gain. Domestic sales dipped 3.0%, to ¥902.6 billion (\$6,786 million), but overseas sales surged 26.6%, to ¥769.6 billion (\$5,787 million). Overseas sales would have risen 14.6% if the previous year's exchange rates had remained unchanged. Domestic and overseas sales represented 54.0% and 46.0%, respectively, of net sales.

In the office equipment category, multifunctional printers (MFPs) and laser printers contributed mightily to sales in all Ricoh's markets. In addition, useware and document management systems sold well in Japan. Internationally, the

prime performance contributors were digital monochrome and color plain-paper copiers (PPCs). As a result of these factors, office equipment sales improved 11.0%, to ¥1,485.3 billion (\$11,168 million). The average yen-dollar rate for the term plunged around ¥14, to ¥125. The yen-euro average was down about ¥10, to ¥110.

Operating Income

Operating income surged 23.4%, to ¥129.6 billion (\$975 million). This reflected increased sales of high-value-added core offerings like digital PPCs and MFPs, ongoing cost-cutting, and the impact of currency fluctuations.

Income before Income Taxes

Income before income taxes, minority interests and equity in earnings of affiliates gained 16.6%, to ¥113.9 billion (\$856 million). The rise would have been greater if not for declines in interest and dividend income amid sluggish financial market conditions, foreign currency exchange loss, and an increase in net other expenses.

SALES BY PRODUCT LINE

	2001		2002		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Office Equipment:					
Copiers and related supplies	¥ 915,333	59.5%	¥1,038,495	62.1%	\$ 7,808,233
Communications and information systems	423,041	27.5	446,894	26.7	3,360,105
Other Businesses	199,888	13.0	186,951	11.2	1,405,647
Total	¥1,538,262	100.0%	¥1,672,340	100.0%	\$12,573,985

NEW SEGMENTATION

	2001		2002		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Office Equipment:					
Imaging solutions	¥ 867,033	56.4%	¥ 934,180	55.8%	\$ 7,023,910
Network Input/Output Systems	261,838	17.0	344,247	20.6	2,588,323
Network System Solutions	209,503	13.6	206,962	12.4	1,556,105
Other Businesses	199,888	13.0	186,951	11.2	1,405,647
Total	¥1,538,262	100.0%	¥1,672,340	100.0%	\$12,573,985

SALES BY GEOGRAPHIC AREA

	2001		2002		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Japan	¥ 930,433	60.5%	¥ 902,655	54.0%	\$ 6,786,880
The Americas	252,698	16.4	341,747	20.4	2,569,526
Europe	247,449	16.1	311,312	18.6	2,340,692
Other	107,682	7.0	116,626	7.0	876,887
Total	¥1,538,262	100.0%	¥1,672,340	100.0%	\$12,573,985

Net Income

Net income increased 15.8%, to ¥61.6 billion (\$463 million)—the 10th consecutive rise. Total taxes were up 17.5%, to ¥51.1 billion (\$384 million). The effective tax rate for the term was 44.9%, up 0.4 percentage point. The basic and diluted earnings per share of common stock were ¥88.27 (\$0.66) and ¥82.46 (\$0.62), respectively. These figures were up 14.9% and 16.1%, respectively.

Subject to approval at the ordinary general meeting of shareholders on June 27, 2002, management plans to increase cash dividends per share of common stock ¥1.00 (\$0.01), to ¥13.00 (\$0.10). This is in keeping with management's commitment to ensuring solid shareholder returns.

Segment Information

SALES BY PRODUCT LINE

1. Office Equipment

Copiers and Related Supplies

Segment sales advanced 13.5%, to ¥1,038.4 billion (\$7,808 million). This growth stemmed largely from the launch in the core digital PPC and MFP categories of fast models and high-value-added machines whose features improve efficiency, from document input/output through information sharing and management. Overseas, key factors were the first full-year contribution of Lanier Worldwide, Inc., which Ricoh acquired in the previous term, as well as the lower yen.

Communications and Information Systems

In this segment, sales advanced 5.6%, to ¥446.8 billion (\$3,360 million). The main contributors here were fast, high-resolution color laser printers and low-end color laser printers.

Solutions-Based Business Segmentation

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

Imaging Solutions

In this segment, sales gained 7.7%, to ¥934.1 billion (\$7,023 million). This was mainly because of a stronger lineup that included both low-end and fast digital PPCs. Domestic sales dropped in other product areas amid the Japanese recession and declining demand. On the positive side, overseas sales soared for digital PPCs, with color models also enjoying gains.

Network Input/Output Systems

Segment sales surged 31.5%, to ¥344.2 billion (\$2,588 million), reflecting a far broader range of MFPs and color laser printers, complemented by printing solutions. In Japan and overseas, the focus of customer demand continued to shift toward speed, networking, lower total costs of ownership, and better productivity. Ricoh responded to those trends by releasing new models and stepping up marketing.

Network System Solutions

Sales in this segment were off 1.2%, to ¥206.9 billion (\$1,556 million). Ricoh focused on useware, document management, and other solutions businesses in response to a shift in customer demand away from standalone models toward systems for networked offices. The sales decline in this segment was due to lower

demand for personal computers and servers owing to constrained corporate spending on information technology in Japan.

2. Other Businesses

Category sales decreased 6.5%, to ¥186.9 billion (\$1,405 million). This was primarily because of poor semiconductor and measurement equipment markets.

SALES BY GEOGRAPHIC AREA

Japan accounted for 54.0% of net sales. The Americas and Europe accounted for 20.4% and 18.6%, respectively, and other areas 7.0%.

1. Japan

Domestic sales decreased 3.0%, to ¥902.6 billion (\$6,786 million). This was largely because the Japanese economy remained in recession, causing companies to constrain information technology spending and restructure. On the positive side, Ricoh increased sales of printing systems 28.6%, with MFPs performing particularly well on the strength of launches of new offerings and expanded marketing in response to customer needs.

2. The Americas

Here, sales surged 35.2%, to ¥341.7 billion (\$2,569 million). After factoring out exchange rate changes, sales would have increased 19.7%. This improvement was largely because Ricoh expanded and reinforced its sales networks, particularly in North America, thus increasing sales of core digital PPCs and MFPs. Lanier Worldwide, Inc., which Ricoh acquired in the previous fiscal year, contributed significantly to results through a successful strategy of expanding digital equipment and strengthening sales to major accounts.

3. Europe

Sales in this region surged 25.8%, to ¥311.3 billion (\$2,340 million), and gained 15.2% in local currency terms. This result reflected the strength of Ricoh's multi-brand strategy, with the Company maintaining strong sales and top market shares in both digital PPCs and MFPs.

4. Other Areas

Sales in other areas improved 8.3%, to ¥116.6 billion (\$876 million), amid the shift to digital and networked models. Ricoh aims to take advantage of China's admission to the World Trade Organization and that nation's deregulation and initiatives to open its market by strengthening its local sales network.

Financial Position

At the close of fiscal 2002, total assets were ¥1,832.9 billion (\$13,781 million), up 7.5% from a year earlier. Changes in interest-bearing debt reflected a ¥60 billion issue of straight bonds and Ricoh's sixth and eighth issues of convertible bonds, which most investors converted on maturity. The equity ratio was up 1.8 percentage point from a year earlier, at 34.5%.

Cash Flows

One of Ricoh's key management policies is to expand free cash flow and continually bolster its financial position.

	Average pay rate	Millions of yen						
		Total	Expected maturity date					2008 and thereafter
			2003	2004	2005	2006	2007	
LONG-TERM INDEBTEDNESS (Excluding capital lease obligations and SFAS No. 133 fair value adjustment)								
Convertible Bonds	0.36%	¥ 34,049	¥34,049	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	1.40	145,000	—	15,000	10,000	40,000	45,000	35,000
Medium-Term Notes	0.40	39,162	16,162	9,000	11,000	3,000	—	—
Loans	2.41	175,336	15,695	31,280	50,054	49,924	10,140	18,243
Total		¥393,547	¥65,906	¥55,280	¥71,054	¥92,924	¥55,140	¥53,243

INTEREST RATE SWAPS

Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Millions of yen							
				Total	Expected maturity date					2008 and thereafter	
					2003	2004	2005	2006	2007		
¥	30,188	Receive floating/Pay fixed	0.10%	0.55%	¥30,188	¥ 725	¥ 513	¥ 4,950	¥22,000	¥2,000	¥ —
	80,000	Receive fixed/Pay floating	1.99	0.13	80,000	1,000	18,000	17,000	19,000	1,000	24,000
US\$	30	Receive fixed/Pay floating	7.18%	2.99%	¥ 3,998	¥1,333	¥ —	¥ 2,665	¥ —	¥ —	¥ —

LONG-TERM INDEBTEDNESS

(Excluding capital lease obligations and
SFAS No. 133 fair value adjustment)

	Average pay rate	Thousands of U.S. dollars						
		Total	Expected maturity date					2008 and thereafter
			2003	2004	2005	2006	2007	
Convertible Bonds	0.36%	\$ 256,008	\$256,008	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	1.40	1,090,226	—	112,782	75,188	300,752	338,346	263,158
Medium-Term Notes	0.40	294,451	121,519	67,669	82,707	22,556	—	—
Loans	2.41	1,318,315	118,007	235,188	376,346	375,369	76,240	137,165
Total		\$2,959,000	\$495,534	\$415,639	\$534,241	\$698,677	\$414,586	\$400,323

INTEREST RATE SWAPS

Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Thousands of U.S. dollars							
				Total	Expected maturity date					2008 and thereafter	
					2003	2004	2005	2006	2007		
¥	30,188	Receive floating/Pay fixed	0.10%	0.55%	\$226,977	\$ 5,451	\$ 3,857	\$ 37,218	\$165,414	\$15,037	\$ —
	80,000	Receive fixed/Pay floating	1.99	0.13	601,504	7,519	135,338	127,820	142,857	7,519	180,451
US\$	30	Receive fixed/Pay floating	7.18%	2.99%	\$ 30,060	\$10,023	\$ —	\$ 20,037	\$ —	\$ —	\$ —

At the close of fiscal 2002, higher net income and depreciation and amortization added ¥20.0 billion to cash flows from operating activities, which were ¥135.3 billion (\$1,018 million). Changes in assets and liabilities included ¥17.2 billion (\$129 million) deposited for the maturity of Ricoh's sixth and eighth convertible bond issues by year-end. Changes would have been as in the previous fiscal year if

not for this factor. Most of those bonds were converted upon maturity. Thus, net cash provided by operating activities increased 2.3%, to ¥105.1 billion (\$790 million).

Net cash used in investing activities decreased 4.9%, to ¥65.7 billion (\$494 million). This was mainly because of spending to set up new manufacturing lines

and develop new products.

Consequently, the free cash flow generated by operating and investing activities decreased 1.6%, to ¥39.3 billion (\$295 million).

Net cash provided by financing activities was ¥36.2 billion (\$272 million), compared with ¥88.3 billion used in such activities a year earlier. This change stemmed from our efforts to cut interest-bearing debt domestically and abroad while preparing for long-term expansion from our fourth and fifth straight bond issues, which totaled ¥60 billion (\$451 million).

As a result of these factors, cash and cash equivalents at the close of the term were up ¥78.0 billion from a year earlier, at ¥142.5 billion (\$1,071 million).

Capital Expenditures

Additions to property, plant and equipment rose 3.2%, to ¥75.6 billion (\$568 million). These investments were primarily for establishing new manufacturing lines and research and development facilities. Spending on semiconductor production declined.

Key Financial Ratios

We have provided the following ratios to facilitate analysis of the Company's operations for fiscal 2000, 2001, and 2002.

	Fiscal 2000	Fiscal 2001	Fiscal 2002
Return on sales	2.9%	3.5%	3.7%
Return on shareholders' investment	8.1%	9.7%	10.4%
Current ratio	1.32	1.00	1.30
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	0.95	0.97	0.89
Interest coverage	9.3	14.5	16.3

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\$/¥	125.43	¥38,482	\$289,338
EUR/¥	111.71	19,885	149,511

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

	1993	1994
For the Year:		
Net sales	¥1,021,915	¥ 968,318
Cost of sales	657,750	605,958
Selling, general and administrative expenses	327,397	326,352
Income before income taxes, minority interests and equity in earnings of affiliates	17,784	26,167
Provision for income taxes	14,716	18,233
Net income	5,015	9,520
Capital expenditures	46,747	44,928
Depreciation and amortization	55,846	49,155
Per Share Data (in yen and dollars):		
Net income:		
Basic	¥ 7.70	¥ 14.61
Diluted	7.70	14.47
Cash dividends, applicable to the year	10.00	10.00
At Year-End:		
Total assets	¥1,228,959	¥1,238,275
Long-term indebtedness	303,599	337,592
Shareholders' investment	351,602	349,945
Working capital	77,318	116,108
Return on sales	0.5%	1.0%
Return on shareholders' investment	1.4	2.7
Common Stock Price Range (in yen and dollars):		
High	¥ 728	¥ 849
Low	402	561

Millions of yen								Thousands of U.S. dollars
1995	1996	1997	1998	1999	2000	2001	2002	2002
¥1,020,296	¥1,113,030	¥1,316,072	¥1,403,348	¥1,425,999	¥1,447,157	¥1,538,262	¥1,672,340	\$12,573,985
628,071	683,406	772,238	838,440	857,423	867,148	924,893	972,394	7,311,233
339,891	374,246	460,471	475,201	495,029	491,088	508,264	570,251	4,287,602
41,674	51,020	66,905	68,428	53,054	70,393	97,765	113,950	856,767
24,931	28,251	39,864	40,210	24,555	28,363	43,512	51,147	384,564
18,593	21,869	28,922	30,131	30,655	41,928	53,228	61,614	463,263
45,437	48,828	78,666	94,117	70,469	58,356	73,329	75,676	568,992
44,960	46,430	51,000	61,971	67,456	61,946	62,142	73,782	554,752
¥ 28.54	¥ 33.55	¥ 44.16	¥ 44.97	¥ 44.33	¥ 60.61	¥ 76.85	¥ 88.27	\$ 0.66
26.43	31.21	38.95	41.35	40.94	56.06	71.02	82.46	0.62
10.00	10.00	12.00	11.00	11.00	11.00	12.00	13.00	0.10
¥1,320,617	¥1,508,519	¥1,644,896	¥1,660,496	¥1,628,017	¥1,543,320	¥1,704,791	¥1,832,928	\$13,781,414
386,535	411,023	386,918	295,536	344,580	307,962	217,743	332,995	2,503,722
377,840	401,471	422,923	475,005	487,459	541,506	556,728	633,020	4,759,549
142,021	139,163	77,527	31,681	176,161	187,553	(29)	197,967	1,488,474
1.8%	2.0%	2.2%	2.1%	2.1%	2.9%	3.5%	3.7%	—
5.1	5.6	7.0	6.7	6.4	8.1	9.7	10.4	—
¥ 1,020	¥ 1,230	¥ 1,530	¥ 1,900	¥ 1,634	¥ 2,525	¥ 2,495	¥ 2,735	\$ 20.56
726	650	1,050	1,270	969	1,078	1,627	1,563	11.75

Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries
March 31, 2001 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Current Assets:			
Cash and cash equivalents	¥ 64,457	¥ 142,508	\$ 1,071,489
Time deposits	11,187	12,478	93,820
Marketable securities	62,213	50,599	380,444
Trade receivables—			
Notes	96,329	85,269	641,120
Accounts	331,575	376,073	2,827,616
Less—Allowance for doubtful receivables	(17,043)	(18,943)	(142,429)
Inventories—			
Finished goods	126,189	116,435	875,451
Work in process and raw materials	50,194	45,741	343,917
Deferred income taxes	54,306	53,508	402,316
Total current assets	779,407	863,668	6,493,744
Property, Plant and Equipment, at Cost:			
Land	43,518	44,542	334,902
Buildings	195,103	202,581	1,523,166
Machinery and equipment	631,015	663,723	4,990,398
Construction in progress	1,862	2,969	22,323
	871,498	913,815	6,870,789
Less—Accumulated depreciation	(604,249)	(654,435)	(4,920,563)
	267,249	259,380	1,950,226
Investments and Other Assets:			
Finance receivables	428,790	447,829	3,367,135
Investment securities	49,076	28,886	217,188
Investments in and advances to affiliates	43,014	47,434	356,647
Lease deposits and other	137,255	185,731	1,396,474
	658,135	709,880	5,337,444
	¥1,704,791	¥1,832,928	\$13,781,414

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

LIABILITIES AND SHAREHOLDERS' INVESTMENT	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Current Liabilities:			
Short-term borrowings	¥ 195,770	¥ 161,094	\$ 1,211,233
Current maturities of long-term indebtedness	125,415	67,314	506,120
Trade payables—			
Notes	42,474	35,481	266,775
Accounts	249,317	242,272	1,821,594
Accrued income taxes	34,396	33,356	250,797
Accrued expenses and other	132,064	126,184	948,752
Total current liabilities	779,436	665,701	5,005,271
Long-Term Liabilities:			
Long-term indebtedness	217,743	332,995	2,503,722
Accrued pension and severance costs	82,828	119,572	899,037
Deferred income taxes	20,625	30,592	230,015
	321,196	483,159	3,632,774
Minority Interests	47,431	51,048	383,820
Commitments and Contingent Liabilities (Note 16)			
Shareholders' Investment:			
Common stock:			
Authorized—1,000,000,000 shares			
Issued and outstanding—692,755,584 shares in 2001 and 727,278,256 shares in 2002	103,434	120,461	905,722
Additional paid-in capital	154,635	171,628	1,290,436
Legal reserve	16,223	16,815	126,428
Retained earnings	316,224	368,926	2,773,880
Accumulated other comprehensive income (loss)	(33,788)	(44,376)	(333,654)
Treasury stock at cost; 191,518 shares in 2002	—	(434)	(3,263)
Total shareholders' investment	556,728	633,020	4,759,549
	¥1,704,791	¥1,832,928	\$13,781,414

Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Net Sales	¥1,447,157	¥1,538,262	¥1,672,340	\$12,573,985
Cost of Sales	867,148	924,893	972,394	7,311,233
Gross profit	580,009	613,369	699,946	5,262,752
Selling General and Administrative Expenses	491,088	508,264	570,251	4,287,602
Operating income	88,921	105,105	129,695	975,150
Other (Income) Expenses:				
Interest and dividend income	(5,997)	(8,045)	(4,753)	(35,737)
Interest expense	10,181	7,787	8,233	61,902
Foreign currency exchange (gain) loss, net	6,004	(3,490)	5,732	43,098
Other, net	8,340	11,088	6,533	49,120
Total	18,528	7,340	15,745	118,383
Income before Income Taxes, Minority Interests and Equity in Earnings of Affiliates	70,393	97,765	113,950	856,767
Provision for Income Taxes:				
Current	46,416	53,506	52,365	393,722
Deferred	(18,053)	(9,994)	(1,218)	(9,158)
Total	28,363	43,512	51,147	384,564
Income before Minority Interests and Equity in Earnings of Affiliates	42,030	54,253	62,803	472,203
Minority Interests	2,599	3,123	3,080	23,158
Equity in Earnings of Affiliates	2,497	2,098	1,891	14,218
Net Income	¥ 41,928	¥ 53,228	¥ 61,614	\$ 463,263
		Yen		U.S. dollars
Per Share of Common Stock:				
Net income:				
Basic	¥ 60.61	¥ 76.85	¥ 88.27	\$ 0.66
Diluted	56.06	71.02	82.46	0.62
Cash dividends, applicable to the year	¥ 11.00	¥ 12.00	¥ 13.00	\$ 0.10
Per American Depositary Share, Each Representing 5 Shares of Common Stock:				
Net income:				
Basic	¥ 303.05	¥ 384.25	¥ 441.35	\$ 3.32
Diluted	280.30	355.10	412.30	3.10
Cash dividends, applicable to the year	¥ 55.00	¥ 60.00	¥ 65.00	\$ 0.49

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, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Common Stock:				
Beginning balance	¥102,849	¥103,112	¥103,434	\$ 777,699
Conversion of convertible bonds; 484,328 shares in 2000, 672,625 shares in 2001, and 34,522,672 shares in 2002	263	322	17,027	128,023
Ending balance	¥103,112	¥103,434	¥120,461	\$ 905,722
Additional Paid-in Capital:				
Beginning balance	¥154,055	¥154,314	¥154,635	\$1,162,669
Conversion of convertible bonds	259	321	16,993	127,767
Ending balance	¥154,314	¥154,635	¥171,628	\$1,290,436
Legal Reserve:				
Beginning balance	¥ 14,271	¥ 15,178	¥ 16,223	\$ 121,977
Transfer from retained earnings	907	1,045	592	4,451
Ending balance	¥ 15,178	¥ 16,223	¥ 16,815	\$ 126,428
Retained Earnings:				
Beginning balance	¥238,592	¥272,004	¥316,224	\$2,377,624
Net income	41,928	53,228	61,614	463,263
Dividends declared	(7,609)	(7,963)	(8,320)	(62,556)
Transfer to legal reserve	(907)	(1,045)	(592)	(4,451)
Ending balance	¥272,004	¥316,224	¥368,926	\$2,773,880
Accumulated Other Comprehensive Income (Loss):				
Beginning balance	¥(22,308)	¥ (3,102)	¥(33,788)	\$ (254,045)
Foreign currency translation adjustments	(7,394)	(1,740)	6,516	48,992
Unrealized gains (losses) on securities, net of reclassification adjustment	9,355	(6,967)	(766)	(5,759)
Unrealized losses on derivatives, net of reclassification adjustment	—	—	(207)	(1,556)
Minimum pension liability adjustments	17,245	(21,979)	(16,131)	(121,286)
Ending balance	¥ (3,102)	¥(33,788)	¥(44,376)	\$ (333,654)
Treasury stock:				
Beginning balance	—	—	¥ —	\$ —
Purchase of treasury stock	—	—	(1,083)	(8,143)
Sales of treasury stock	—	—	649	4,880
Ending balance	—	—	¥ (434)	\$ (3,263)
Comprehensive Income:				
Net income for the year	¥ 41,928	¥ 53,228	¥ 61,614	\$ 463,263
Other comprehensive income (loss) for the year, net of tax	19,206	(30,686)	(10,588)	(79,609)
Total comprehensive income for the year	¥ 61,134	¥ 22,542	¥ 51,026	\$ 383,654

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, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Cash Flows from Operating Activities:				
Net income	¥ 41,928	¥ 53,228	¥ 61,614	\$ 463,263
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization	61,946	62,142	73,782	554,752
Equity in earnings of affiliates, net of dividends received	(846)	(1,056)	(1,260)	(9,474)
Deferred income taxes	(18,053)	(9,994)	(1,218)	(9,158)
Losses on disposals and sales of property, plant and equipment	207	2,223	1,665	12,519
Changes in assets and liabilities, net of effects from acquisition—				
Increase in trade receivables	(7,794)	(32,476)	(20,006)	(150,421)
Decrease (increase) in inventories	8,502	(7,167)	21,194	159,353
Increase in finance receivables	(22,914)	(15,127)	(13,620)	(102,406)
(Decrease) increase in trade payables	23,852	16,235	(19,535)	(146,880)
(Decrease) increase in accrued income taxes and accrued expenses and other	27,620	27,310	(13,592)	(102,195)
Increase in accrued pension and severance costs	8,618	1,667	8,374	62,962
Other, net	12,574	5,743	7,740	58,196
Net cash provided by operating activities	135,640	102,728	105,138	790,511
Cash Flows from Investing Activities:				
Proceeds from sales of property, plant and equipment	2,989	1,120	756	5,684
Expenditures for property, plant and equipment	(56,930)	(73,040)	(75,231)	(565,647)
Payments for purchases of available-for-sale securities	(54,194)	(52,853)	(38,564)	(289,955)
Proceeds from sales of available-for-sale securities	24,534	93,705	68,736	516,812
Decrease in investments in and advances to affiliates	4,254	51	5	38
(Increase) decrease in time deposits	(1,571)	6,797	(477)	(3,586)
Decrease in cash deposits for assignment of debt securities	50,000	—	—	—
Payments for acquisition of Lanier Worldwide, Inc., net of cash acquired	—	(28,103)	—	—
Other, net	2,428	(10,405)	(21,017)	(158,023)
Net cash used in investing activities	(28,490)	(62,728)	(65,792)	(494,677)
Cash Flows from Financing Activities:				
Proceeds from long-term loans	8,362	33,183	71,075	534,399
Repayment of long-term loans	(36,699)	(114,701)	(79,640)	(598,797)
(Decrease) increase in short-term borrowings, net	(56,529)	5,565	(39,414)	(296,346)
Proceeds from issuance of long-term debt securities	35,000	—	103,500	778,195
Repayment of long-term debt securities	(66,620)	(2,990)	(10,000)	(75,188)
Cash dividends paid	(7,595)	(7,964)	(8,322)	(62,571)
Other, net	2,832	(1,475)	(964)	(7,248)
Net cash provided by (used in) financing activities	(121,249)	(88,382)	36,235	272,444
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,718)	1,001	2,470	18,572
Net Increase (Decrease) in Cash and Cash Equivalents	(18,817)	(47,381)	78,051	586,850
Cash and Cash Equivalents at Beginning of Year	130,655	111,838	64,457	484,639
Cash and Cash Equivalents at End of Year	¥111,838	¥ 64,457	¥142,508	\$1,071,489
Supplemental Disclosures of Cash Flow Information:				
Cash Paid during the Year for—				
Interest	¥ 17,305	¥ 13,749	¥ 9,418	\$ 70,812
Income taxes	26,546	57,192	53,129	399,466

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 its consolidated 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, digital 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 7 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 Ricoh have been prepared in conformity with accounting principles generally accepted in the United States of America, modified for the accounting for stock splits (see Note 2. (o) 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.

The accounts of certain consolidated subsidiaries have been included on the basis of fiscal periods ended three months or less prior to March 31, and significant transactions after then are appropriately adjusted in consolidation.

(b) Revenue Recognition

Ricoh recognizes revenue 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.

(c) 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 a part of other comprehensive income (loss) included in shareholders' investment.

(d) Derivative Instruments and Hedging Activities

Ricoh currently manages its exposure to certain market risks, including foreign exchange and interest rate risks, through the use of derivative instruments, and beginning April 1, 2001, accounts for them in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities."

Ricoh enters into a derivative contract and designates the derivative as: (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of the variability of cash flows that are to be paid in connection with a recognized liability (cash flow hedge), or (3) a derivative instrument that is not designated for hedge accounting treatment. For derivative contracts that are designated and qualify as fair value hedges, the derivative instrument is marked-to-market with gains and losses recognized in current period earnings to offset the respective losses and gains recognized on the underlying exposure. For derivative contracts that are designated and qualify as cash flow hedges, the effective portion

of gains and losses on these contracts is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period the hedged transaction affects earnings. Any hedge ineffectiveness on cash flow hedges is immediately recognized in earnings. Ricoh also enters into derivative contracts that are not designated as hedging instruments. These derivative contracts are recorded at fair value with the gain or loss recognized in current period earnings. Ricoh does not hold any derivative instruments for trading purposes. See Note 15 for further description of Ricoh's specific programs to manage risk using derivative financial instruments.

On April 1, 2001, Ricoh adopted SFAS No. 133 and SFAS No. 138. The cumulative effect adjustment upon the adoption of SFAS No. 133 and SFAS No. 138, net of the related income tax effect, resulted in a decrease in net income of approximately ¥66 million (\$496 thousand) and a decrease in other comprehensive income (loss) of approximately ¥1,864 million (\$14,015 thousand).

Prior to April 1, 2001, gains and losses on hedges of existing assets or liabilities were included in the carrying amounts of those assets or liabilities and were ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments and anticipated transactions were deferred and recognized in income, or as adjustments of carrying amounts, when the hedged transaction occurred.

(e) Securities

Ricoh conforms with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires investments in debt and certain equity securities to be classified as either held-to-maturity, trading, or available-for-sale securities. As of March 31, 2001 and 2002, a substantial part of Ricoh's investments in debt and equity securities are classified as 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 other comprehensive income (loss). Individual securities classified as available-for-sale are reduced to net realizable value for any other than temporary declines in market value.

Available-for-sale securities which are expected to be sold in one year are classified as current assets.

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

The non-marketable equity securities primarily relate to less than 20% owned companies and are stated at cost.

(f) Inventories

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

(g) Plant and Equipment

Depreciation of plant and equipment is computed principally by using the declining-balance method over the estimated useful lives. Most foreign subsidiaries have adopted the straight-line method for computing depreciation, which currently accounts for approximately 40% of the consolidated depreciation expense.

Effective rates of depreciation for the years ended March 31, 2000, 2001 and 2002 are summarized below:

	2000	2001	2002
Buildings	7.9%	8.0%	8.3%
Machinery and equipment	37.6	36.6	40.6

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, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Aggregate cost	¥6,413	¥6,578	\$49,459
Accumulated depreciation	3,448	3,965	29,812

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2002 were ¥3,286 million (\$24,707 thousand) and ¥3,113 million (\$23,406 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.

(h) Goodwill

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

(i) Pension and Retirement Allowances Plans

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

(j) 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.

(k) Advertising

The costs of advertising are expensed as incurred.

(l) Shipping and Handling Costs

Shipping and handling costs, which mainly include transportation to customers, are included in Selling, General and Administrative Expenses on the consolidated statements of income. Shipping and handling costs were ¥11,123 million and ¥13,332 million (\$100,241 thousand) for the years ended March 31, 2001 and 2002, respectively.

(m) 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 losses 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.

(n) Earnings Per Share

Basic net income per common share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period. The calculation of diluted net income per common share is similar to the calculation of basic net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from potential common stock equivalents such as convertible bonds.

(o) Accounting for Stock Splits

Before September 30, 2001, the stock splits of common stock made at various times had 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 was made for stock splits when common stock already included a portion of the proceeds from shares issued at a price in excess of par value. The Japanese Commercial Code, amended effective on October 1, 2001, no longer requires a transfer from additional paid-in capital to common stock in such cases (see Note 12).

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

(p) 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 U.S. dollars
	2000	2001	2002	2002
Conversion of convertible bonds	¥ 4,676	¥ 1,088	¥35,620	\$267,820
Capital lease obligations incurred	1,426	289	445	3,346
Transfer of securities to pension fund	20,760	—	—	—
Assets and liabilities of Lanier Worldwide, Inc., in 2001:				
Fair value of assets acquired	—	134,586	—	—
Liabilities assumed	—	104,623	—	—

(q) 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, including impairment losses of long-lived assets and the disclosures of fair value of financial instruments and contingent assets and liabilities, to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

The Company has identified four areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the determination of the allowance for doubtful receivables, impairment on long-lived assets and goodwill, realizability of deferred income tax assets and pension accounting.

(r) New Accounting Standards

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 141 requires the use of only the purchase method of accounting for business combinations and prohibits the use of the pooling of

interests method. SFAS No. 141 also refines the definition of intangible assets acquired in a purchase business combination. As a result, the purchase price allocation of future business combinations may be different from the allocation that would have resulted under the old rules. Business combinations must be accounted for using SFAS No. 141 beginning on July 1, 2001.

SFAS No. 142 eliminates the amortization of goodwill, requires annual impairment testing of goodwill and introduces the concept of indefinite life intangible assets. It will be adopted on April 1, 2002.

These new requirements will impact future period net income by an amount equal to the discontinued goodwill amortization offset by goodwill impairment charges, if any, and adjusted for any differences between the old and new rules for defining intangible assets on future business combinations. A transitional impairment test of goodwill is required as of April 1, 2002, the date of adoption. Ricoh is currently assessing the impact the new impairment testing requirements may have on its consolidated financial position and results of operations.

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The new standard will be adopted on April 1, 2003, and is not expected to have a material effect on Ricoh’s consolidated financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” SFAS No. 144 addresses significant issues relating to the implementation of SFAS No. 121, and develops a single accounting model, based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sale, whether such assets are or are not deemed to be a business. SFAS No. 144 also modifies the accounting and disclosure rules for discontinued operations. The new standard will be adopted on April 1, 2002, and is not expected to have a material effect on Ricoh’s consolidated financial position or results of operations.

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 2002 and for the years ended March 31, 2000, 2001 and 2002 have been presented in yen, and for the convenience of the reader the consolidated financial statements as of March 31, 2002 and for the year then ended have also been presented in U.S. dollars by arithmetically translating all yen amounts by using the exchange rate of ¥133 to US \$1 in effect at March 31, 2002.

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 Ricoh’s 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(o)). The principal accounting adjustments relate to bonds with detachable stock purchase warrants, impairment of long-lived assets and for long-lived assets to be disposed of, accrued pension and severance costs and certain other accrued expenses, sales-type leases, derivatives 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 acquisition was accounted for as a purchase transaction. The excess of purchase price over the estimated fair value of the net assets acquired is being amortized over 20 years. As of April 1, 2002, Ricoh adopted new authoritative accounting guidance relating to both the initial recording and subsequent impair-

ment testing of goodwill and other intangible assets, and remaining goodwill is no longer amortized (see Note 2(r)).

The post-acquisition period for the two 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:

	Millions of yen	
	2000	2001
Net sales	¥1,574,465	¥1,624,036
Net income	43,861	49,474
	Yen	
	2000	2001
Net income per share of common stock—		
Basic	¥63.41	¥71.43
Diluted	58.63	66.03

5. FINANCE RECEIVABLES

Finance receivables as of March 31, 2001 and 2002 are comprised of lease receivables and installment loans.

Ricoh's products are leased to domestic customers primarily through Ricoh Leasing Company, Ltd., a majority-owned subsidiary, and to overseas customers primarily through certain overseas subsidiaries. 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 leases.

Information pertaining to Ricoh's lease receivables as of March 31, 2001 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Minimum lease payments receivable	¥442,886	¥462,356	\$3,476,361
Unearned income	(49,995)	(50,576)	(380,271)
Allowance for doubtful receivables	(11,992)	(12,926)	(97,188)
Net lease receivables	¥380,899	¥398,854	\$2,998,902

As of March 31, 2002, 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
2003	¥146,290	\$1,099,925
2004	126,030	947,593
2005	96,941	728,880
2006	60,067	451,632
2007	25,994	195,444
2008 and thereafter	7,034	52,887
Total	¥462,356	\$3,476,361

Installment loans, net of allowance for doubtful receivables, as of March 31, 2001 and 2002 are primarily comprised of housing loans and term loans aggregating ¥47,891 and ¥48,975 million (\$368,233 thousand), respectively.

Ricoh sold finance lease receivables with a pretax gain of ¥175 million and ¥225 million (\$1,692 thousand) for the years ended March 31, 2001 and 2002, respectively, through securitization transactions. Servicing assets or liabilities related to securitization transactions initiated were not recorded, because the servicing fees adequately compensate Ricoh. Ricoh's retained interests are subordinate to the investor's interests. Their value is subject to credit and interest rate risk on the

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.

sold financial assets. The investors and Special Purpose Entities have no recourse to our other assets for failure of debtors to pay.

Key economic assumptions used in measuring the fair value of retained interests related to securitization transactions completed during the year ended March 31, 2001 and 2002 were as follows:

	2001	2002
Expected credit losses	0.75%-1.35%	0.75%-1.35%
Discount rate	0.89%-3.00%	0.89%-3.00%

The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2002 are presented below.

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Carrying value of retained interests (included in lease deposits and other in the consolidated balance sheets)	¥20,154	\$151,534
Expected credit losses:		
+10%	144	1,083
+20%	287	2,158
Discount rate:		
+10%	88	662
+20%	175	1,316

The hypothetical scenario does not reflect expected market conditions and should not be used as a prediction of future performance. As the figures indicate, changes in fair value may not be linear. Also, in the above table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The following table summarizes certain cash flows received from and paid to the Special Purpose Entities for all securitization activity for the years ended March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Proceeds from new securitization	¥29,869	¥25,000	\$188,970
Servicing fees received	32	39	293
Repurchases of delinquent or ineligible assets	3,277	5,138	38,632

Amounts of delinquencies, net credit losses, and components of all receivables managed and securitized as of March 31, 2001 and 2002, and for the years then ended, are as follows:

	Millions of yen					
	2001			2002		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	¥466,017	¥871	¥3,395	¥491,791	¥977	¥3,937
Less: receivables securitized	(73,126)			(80,011)		
Receivables held in portfolio	¥392,891			¥411,780		

	Thousands of U.S. dollars		
	2002		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	\$3,697,677	\$7,346	\$29,602
Less: receivables securitized	(601,587)		
Receivables held in portfolio	\$3,096,090		

6. SECURITIES

Marketable securities and investment securities as of March 31, 2001 and 2002 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Marketable securities:			
Available-for-sale securities	¥62,213	¥50,599	\$380,444
Investment securities:			
Available-for-sale securities	¥46,231	¥23,337	\$175,466
Non-marketable equity securities	2,845	5,549	41,722
	¥49,076	¥28,886	\$217,188

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, 2001 and 2002 are as follows:

	Millions of yen							
	2001				2002			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:								
Japanese and foreign governmental bond securities	¥ 997	¥ 10	¥ —	¥ 1,007	¥ —	¥ —	¥ —	¥ —
Corporate debt securities	7,062	2	12	7,052	21,338	1,205	12	22,531
Other	54,168	5	19	54,154	28,068	—	—	28,068
	¥62,227	¥ 17	¥ 31	¥62,213	¥49,406	¥1,205	¥ 12	¥50,599
Noncurrent:								
Equity securities	¥ 7,686	¥ 8,805	¥ 453	¥16,038	¥ 7,457	¥6,025	¥469	¥13,013
Corporate debt securities	21,587	2,656	53	24,190	20	6	—	26
Other	7,639	6	1,642	6,003	10,612	205	519	10,298
	¥36,912	¥11,467	¥2,148	¥46,231	¥18,089	¥6,236	¥988	¥23,337

	Thousands of U.S. dollars			
	2002			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Japanese and foreign governmental bond securities	\$ —	\$ —	\$ —	\$ —
Corporate debt securities	160,436	9,060	90	169,406
Other	211,038	—	—	211,038
	\$371,474	\$ 9,060	\$ 90	\$380,444
Noncurrent:				
Equity securities	\$ 56,068	\$45,301	\$3,527	\$ 97,842
Corporate debt securities	150	45	—	195
Other	79,790	1,541	3,902	77,429
	\$ 136,008	\$46,887	\$7,429	\$175,466

Other current securities include short term Money Management Funds of ¥38,665 million and ¥27,025 million (\$203,195 thousand) as of March 31, 2001 and 2002, respectively. Other non-current securities mainly include investment

trusts consisting of investment in marketable debt and equity securities.

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2002, 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	¥60,026	¥60,905	\$451,324	\$457,933
Due after one year through five years	12	18	90	135
	¥60,038	¥60,923	\$451,414	\$458,068

Proceeds from the sales of available-for-sale securities were ¥24,534 million, ¥93,705 million and ¥68,736 million (\$516,812 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively.

The gross realized gains on sales of available-for-sale securities were ¥1,601 million and ¥2,898 million for the years ended March 31, 2000 and 2001, respectively, and there were no significant realized gains on sales of available-for-sale securities for the year ended March 31, 2002. There were no significant realized losses on sales of available-for-sale securities for the three years ended March 31, 2002. The loss on securities of ¥2,739 million (\$20,594 thousand) for the years ended March 31, 2002 was charged to income for declines in market value of available-for-sale securities where the decline was classified as other than temporary.

In March 2000, the Company 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 was accounted for as a sale in accordance with SFAS No. 125 and accordingly the recorded pension liability was 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 gains on 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 statements of income upon the future sale of the transferred securities by the trustee.

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 20.8% 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 ¥37,196 million (\$279,669 thousand) as of March 31, 2002. The quoted market value of this company was ¥37,299 million (\$280,444 thousand) as of March 31, 2002.

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

Summarized financial information for all affiliates as of March 31, 2001 and 2002 and for the years ended March 31, 2000, 2001 and 2002 is as follows:

Financial Position

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Assets—			
Current assets	¥124,244	¥122,974	\$ 924,617
Other assets	103,347	141,148	1,061,263
	¥227,591	¥264,122	\$1,985,880
Liabilities and shareholders' investment—			
Current liabilities	¥ 34,389	¥ 41,852	\$ 314,677
Other liabilities	8,043	13,972	105,053
Shareholders' investment	185,159	208,298	1,566,150
	¥227,591	¥264,122	\$1,985,880

Operations

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Sales	¥229,825	¥263,804	¥288,992	\$2,172,872
Costs and expenses	217,316	254,137	277,950	2,089,850
Net income	¥ 12,509	¥ 9,667	¥ 11,042	\$ 83,022

The significant transactions of Ricoh with these affiliates for the years ended March 31, 2000, 2001 and 2002, and the related account balances at March 31, 2001 and 2002 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Transactions—				
Sales	¥23,231	¥20,952	¥25,413	\$191,075
Purchases	13,412	13,673	15,584	117,173
Dividend income	1,651	1,008	1,133	8,519

The unrealized gains regarding the above transactions were eliminated in the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Account balances—			
Receivables	¥6,398	¥8,513	\$64,008
Payables	1,979	2,858	21,489

As of March 31, 2002, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥37,819 million (\$284,353 thousand).

8. INCOME TAXES

Income before income taxes, minority interests and equity in earnings of affiliates and provision for income taxes for the years ended March 31, 2000, 2001 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Income before income taxes, minority interests and equity in earnings of affiliates—				
Domestic	¥49,135	¥77,820	¥ 95,723	\$719,722
Foreign	21,258	19,945	18,227	137,045
	¥70,393	¥97,765	¥113,950	\$856,767
Provision for income taxes—				
Current:				
Domestic	¥38,105	¥45,684	¥ 43,564	\$327,549
Foreign	8,311	7,822	8,801	66,173
	46,416	53,506	52,365	393,722
Deferred:				
Domestic	(19,110)	(10,380)	(3,524)	(26,496)
Foreign	1,057	386	2,306	17,338
	(18,053)	(9,994)	(1,218)	(9,158)
Consolidated provision for income taxes	¥28,363	¥43,512	¥ 51,147	\$384,564

Total income taxes are allocated as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Provision for income taxes	¥28,363	¥43,512	¥51,147	\$384,564
Shareholders' investment:				
Foreign currency translation adjustments	(3,723)	(1,252)	2,062	15,504
Unrealized gains (losses) on securities	2,072	629	(582)	(4,376)
Unrealized losses on derivatives	—	—	(146)	(1,098)
Minimum pension liability adjustment	15,572	(15,818)	(11,760)	(88,421)
	¥42,284	¥27,071	¥40,721	\$306,173

Reconciliations of the normal tax rates in Japan with the effective tax rates for the years ended March 31, 2000, 2001 and 2002, are as follows:

	2000	2001	2002
Normal tax rate	42%	42%	42%
Permanently nondeductible expenses, net of nontaxable income	3	2	1
Tax benefits not recognized on operating losses of certain consolidated subsidiaries	0	0	3
Decrease in the beginning-of-the-year balance of the valuation allowance for deferred tax assets	(2)	(2)	(0)
Other, net	(3)	3	(1)
Effective tax rate	40%	45%	45%

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

The tax effects of temporary differences giving rise to the consolidated deferred income tax assets and liabilities as of March 31, 2001 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Assets:			
Intercompany profits and inventory write-downs	¥ 25,247	¥ 24,755	\$ 186,128
Accrued expenses	19,993	17,866	134,331
Depreciation	3,570	4,640	34,887
Accrued pension and severance costs	31,230	41,523	312,203
Net operating losses carryforward	14,439	19,080	143,459
Other	11,826	21,467	161,406
	106,305	129,331	972,414
Less—Valuation allowance	(8,403)	(11,300)	(84,963)
	¥ 97,902	¥118,031	\$ 887,451
Liabilities:			
Sales-type leases	¥ (5,577)	¥ (4,964)	\$ (37,323)
Undistributed earnings of foreign subsidiaries and affiliates	(9,626)	(12,291)	(92,414)
Net unrealized holding gains on available-for-sale securities	(9,397)	(8,932)	(67,158)
Other	(2,676)	(9,757)	(73,361)
	¥(27,276)	¥(35,944)	\$(270,256)
Net deferred tax assets	¥ 70,626	¥ 82,087	\$ 617,195

Net deferred tax assets as of March 31, 2001 and 2002 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred income taxes (Current Assets)	¥ 54,306	¥ 53,508	\$ 402,316
Lease deposits and other	37,361	59,732	449,112
Accrued expenses and other	(416)	(561)	(4,218)
Deferred income taxes (Long-Term Liabilities)	(20,625)	(30,592)	(230,015)
	¥ 70,626	¥ 82,087	\$ 617,195

The net changes in the total valuation allowance for the years ended March 31, 2000, 2001 and 2002 were a decrease of ¥114 million and increases of ¥246 million and ¥2,897 million (\$21,782 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.

As of March 31, 2002, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥53,146 million (\$399,594 thousand) which were available to reduce future income taxes, if any. Approximately ¥25,019 million (\$188,113 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, 2001 and 2002 consist of the following:

	Weighted average interest rate		Millions of yen		Thousands of U.S. dollars
	2001	2002	2001	2002	2002
Borrowings, principally from banks	3.3%	1.3%	¥131,902	¥103,784	\$ 780,331
Commercial paper	2.2	1.5	63,868	57,310	430,902
			¥195,770	¥161,094	\$1,211,233

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 4.8% as of March 31, 2001 and 2.8% as of March 31, 2002, respectively.

The Company and certain of its subsidiaries enter into the contracts with fi-

ancial institutions regarding line of credit and overdrawing, and hold the issuing programs of commercial paper and medium-term notes. The unused lines of credit amounted to ¥527,925 million and ¥580,785 million (\$4,366,805 thousand) as of March 31, 2001 and 2002, respectively, of which ¥323,101 million and ¥342,045 million (\$2,571,767 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, 2001 and 2002 consists of the following:

	Conversion	Millions of yen		Thousands of
	price (Per share)	2001	2002	U.S. dollars 2002
Convertible bonds—				
1.8%, payable in yen, due March 2002	¥ 824.70	¥ 1,298	¥ —	\$ —
1.5%, payable in yen, due March 2002	993.00	32,764	—	—
0.35%, payable in yen, due March 2003	1,210.00	29,889	29,886	224,707
0.4%, payable in yen, due September 2002 issued by a consolidated subsidiary	1,594.40	5,764	4,163	31,301
Total convertible bonds		69,715	34,049	256,008
Bonds—				
2.075%, straight bonds, payable in yen, due April 2005		40,000	40,000	300,752
0.87%, straight bonds, payable in yen, due March 2007		—	35,000	263,158
1.34%, straight bonds, payable in yen, due March 2009		—	25,000	187,970
2.9%, straight bonds, payable in yen, due August 2001 issued by a consolidated subsidiary		10,000	—	—
0.9%, straight bonds, payable in yen, due June 2003 issued by a consolidated subsidiary		5,000	5,000	37,594
1.17%, straight bonds, payable in yen, due June 2004 issued by a consolidated subsidiary		10,000	10,000	75,188
1.1%, straight bonds, payable in yen, due February 2004 issued by a consolidated subsidiary		10,000	10,000	75,188
0.73%, straight bonds, payable in yen, due June 2006 issued by a consolidated subsidiary		—	10,000	75,188
2.1%, straight bonds, payable in yen, due October 2009 issued by a consolidated subsidiary		10,000	10,000	75,188
Medium-term notes, 0.06%–3.89%, due through 2005 issued by a consolidated subsidiary		1,239	39,162	294,451
Total bonds		86,239	184,162	1,384,677
Unsecured loans—				
Banks and insurance companies, 0.22%–11.60%, due through 2011		174,365	170,537	1,282,233
Secured loans—				
Banks, insurance companies, and other financial institution, 0%–3.50%, due through 2020		9,522	4,799	36,082
Capital lease obligations (see Note 2 (g))		3,317	3,113	23,406
Total		343,158	396,660	2,982,406
SFAS No.133 fair value adjustment		—	3,649	27,436
Less—Current maturities included in current liabilities		(125,415)	(67,314)	(506,120)
		¥217,743	¥332,995	\$2,503,722

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥8,728 million (\$65,624 thousand) as of March 31, 2002.

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, 2002 are redeemable at the option of Ricoh at 100% of the principal amounts under certain conditions as provided in the applicable agreements.

If all convertible bonds of the Company were converted as of March 31, 2002, 24,699 thousand shares of common stock would be issuable.

Convertible bonds and the other bonds are subject to certain covenants such as restrictions on earnings and certain additional secured indebtedness, as defined in the agreements. Ricoh 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 (including payment of dividends) to the lender for its review and approval prior to pre-

sentation 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	¥ 67,062	\$ 504,226
2004	56,263	423,030
2005	71,604	538,376
2006	93,344	701,835
2007	55,144	414,616
2008 and thereafter	53,243	400,323
Total	¥396,660	\$2,982,406

11. PENSION AND RETIREMENT ALLOWANCES PLANS

The Company and certain of its subsidiaries have various trusted 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 Ricoh'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 years ended March 31, 2001 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 368,026	¥ 424,176	\$ 3,189,293
Service cost	15,449	15,636	117,564
Interest cost	11,706	13,693	102,955
Plan participants' contributions	1,513	1,585	11,917
Actuarial loss (gain)	18,024	8,309	62,474
Acquisition	16,712	—	—
Settlement	—	(3,005)	(22,594)
Benefits paid	(10,586)	(12,558)	(94,421)
Foreign exchange impact	3,332	4,726	35,534
Benefit obligation at end of year	¥ 424,176	¥ 452,562	\$ 3,402,722
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 285,830	¥ 274,323	\$ 2,062,579
Actual return on plan assets	(31,986)	(11,715)	(88,083)
Acquisition	12,402	—	—
Employer contribution	11,879	12,680	95,338
Plan participants' contributions	1,513	1,585	11,917
Settlement	—	(2,858)	(21,488)
Benefits paid	(7,959)	(9,767)	(73,436)
Foreign exchange impact	2,644	4,129	31,045
Fair value of plan assets at end of year	¥ 274,323	¥ 268,377	\$ 2,017,872
Funded status	¥ (149,853)	¥ (184,185)	\$ (1,384,850)
Unrecognized net actuarial loss	113,056	143,448	1,078,557
Unrecognized net asset at transition, net of amortization	(3,492)	(2,953)	(22,203)
Net amount recognized	¥ (40,289)	¥ (43,690)	\$ (328,496)
Amounts recognized in the balance sheets consist of:			
Prepaid benefit cost	¥ 1,575	¥ 1,262	\$ 9,489
Accrued benefit liability	(82,706)	(113,685)	(854,774)
Accumulated other comprehensive income, gross of tax	40,842	68,733	516,789
Net amount recognized	¥ (40,289)	¥ (43,690)	\$ (328,496)
	2001	2002	
Discount rate	3.0%–7.75%	2.8%–7.25%	
Rate of increase in compensation levels	3.7%–5.5%	2.5%–4.75%	
Expected long-term rate of return on plan assets	4.5%–9.0%	1.5%–9.5%	

The discount rate, rate of increase in compensation and expected long-term rate of return on plan assets of the domestic pension plans were 3.0%, 3.7% and 4.5%, respectively, for the year ended March 31, 2001 and 2.8%–3.0%, 3.3% and 1.5%–4.5%, respectively, for the year ended March 31, 2002. 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, 2002 consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Service costs	¥16,872	¥15,449	¥15,636	\$117,564
Interest costs	13,282	11,706	13,693	102,955
Expected return on plan assets	(8,611)	(13,410)	(13,031)	(97,978)
Net amortization	3,812	1,123	4,707	35,391
Settlement loss	—	—	183	1,376
Net periodic benefit cost	¥25,355	¥14,868	¥21,188	\$159,308

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 ¥303,113 million, ¥247,897 million and ¥213,929 million, respectively, as of March 31, 2001 and ¥335,517 million (\$2,522,684 thousand), ¥280,930 million (\$2,112,256 thousand) and ¥208,712 million (\$1,569,263 thousand), respectively, as of March 31, 2002.

In accordance with the provisions of SFAS No. 87, Ricoh was required to record an adjustment for minimum pension liability at March 31, 2001 and 2002. 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 re-

duction in the discount rate used in pension calculation and loss on plan assets, and represents a net loss not yet recognized as net periodic benefit cost. Since there is no unrecognized prior service cost, this excess is reported in an accumulated other comprehensive income (loss), at net of tax benefits. The net changes in pension liability adjustment were an increase of ¥21,979 million for the year ended March 31, 2001 and an increase of ¥16,131 million (\$121,286 thousand) for the year ended March 31, 2002, respectively.

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.

12. SHAREHOLDERS' INVESTMENT

The Japanese Commercial Code provided 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 legal reserve and additional paid-in capital were 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. The Japanese Commercial Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of common stock, and this legal reserve and additional paid-in capital exceeding 25% of common stock may be reduced by resolution of the shareholders.

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 to be held on June 27, 2002, the shareholders will approve the declaration of a cash dividend on the common stock totaling ¥5,090 million (\$38,271 thousand), which will be paid to shareholders of record as of March 31, 2002. In accordance with the Japanese Commercial Code, the declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2002.

The Japanese Commercial Code provides that at least one-half of the proceeds from shares issued at a price need to 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.

The amount of retained earnings legally available for distribution is that recorded in the Company's books and amounted to ¥253,867 million (\$1,908,774 thousand) as of March 31, 2002.

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
2000:			
Foreign currency translation adjustments	¥ (11,117)	¥ 3,723	¥ (7,394)
Unrealized gains (losses) 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
2001:			
Foreign currency translation adjustments	¥ (2,992)	¥ 1,252	¥ (1,740)
Unrealized gains (losses) 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)
2002:			
Foreign currency translation adjustments	¥ 8,578	¥ 2,062	¥ 6,516
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(4,212)	1,781	(2,431)
Less—Reclassification adjustment for (gains) losses realized in net income	2,864	(1,199)	1,665
Net unrealized gains (losses)	(1,348)	582	(766)
Unrealized losses on derivatives:			
Cumulative effect of accounting change	(3,206)	1,342	(1,864)
Unrealized holding gains (losses) arising during the year	2,061	(871)	1,190
Less—Reclassification adjustment for (gains) losses realized in net income	792	(325)	467
Net unrealized gains (losses)	(353)	146	(207)
Minimum pension liability adjustment	(27,891)	11,760	(16,131)
Other comprehensive income (loss)	¥ (21,014)	¥ 10,246	¥ (10,588)
2002:			
	Thousands of U.S. dollars		
Foreign currency translation adjustments	\$ 64,496	\$(15,504)	\$ 48,992
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(31,669)	13,391	(18,278)
Less—Reclassification adjustment for (gains) losses realized in net income	21,534	(9,015)	12,519
Net unrealized gains (losses)	(10,135)	4,376	(5,759)
Unrealized losses on derivatives:			
Cumulative effect of accounting change	(24,105)	10,090	(14,015)
Unrealized holding gains (losses) arising during the year	15,496	(6,548)	8,948
Less—Reclassification adjustment for (gains) losses realized in net income	5,955	(2,444)	3,511
Net unrealized gains (losses)	(2,654)	1,098	(1,556)
Minimum pension liability adjustment	(209,707)	88,421	(121,286)
Other comprehensive income (loss)	\$(158,000)	\$ 78,391	\$ (79,609)

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

	Millions of yen				
	Foreign currency translation adjustments	Unrealized gains on securities	Unrealized losses on derivatives	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
2000:					
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)
2001:					
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)
2002:					
Beginning balance	¥ (21,541)	¥ 11,332	¥ —	¥ (23,579)	¥ (33,788)
Cumulative effect of accounting change	—	—	(1,864)	—	(1,864)
Change during the year	6,516	(766)	1,657	(16,131)	(8,724)
Ending balance	¥ (15,025)	¥ 10,566	¥ (207)	¥ (39,710)	¥ (44,376)
	Thousands of U.S. dollars				
2002:					
Beginning balance	\$ (161,962)	\$85,203	\$ —	\$ (177,286)	\$ (254,045)
Cumulative effect of accounting change	—	—	(14,015)	—	(14,015)
Change during the year	48,992	(5,759)	12,459	(121,286)	(65,594)
Ending balance	\$ (112,970)	\$79,444	\$ (1,556)	\$ (298,572)	\$ (333,654)

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			
	2000	2001	2002	
Average common shares outstanding, less treasury stocks	691,745	692,617	698,025	
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	1,743	1,636	997	
1.5%, payable in yen, due March 2002	33,604	33,070	28,195	
0.35%, payable in yen, due March 2003	24,934	24,703	24,699	
Diluted common shares outstanding	752,026	752,026	751,916	
	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Net income applicable to common shareholders	¥41,928	¥53,228	¥61,614	\$463,263
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	15	14	10	75
1.5%, payable in yen, due March 2002	300	295	258	1,940
0.35%, payable in yen, due March 2003	120	119	119	895
Other	(204)	(249)	—	—
Diluted net income	¥42,159	¥53,407	¥62,001	\$466,173
	Yen			U.S. dollars
	2000	2001	2002	2002
Earnings per share:				
Basic	¥ 60.61	¥ 76.85	¥ 88.27	\$ 0.66
Diluted	56.06	71.02	82.46	0.62

15. DERIVATIVE FINANCIAL INSTRUMENTS

Ricoh enters into various derivative financial instrument contracts in the normal course of business and in connection with the management of its assets and liabilities.

Ricoh conducts business on a global basis and holds assets and liabilities denominated in foreign currencies. Ricoh enters into foreign exchange contracts and foreign currency options to hedge against the potentially adverse impacts of foreign currency fluctuations on these assets and liabilities denominated in foreign currencies.

Ricoh enters into interest rate swap agreements to hedge against the potential adverse impacts of fair value or cash flow fluctuations on interest of its outstanding debt.

Ricoh uses derivative instruments to reduce risk and protect market value of assets and liabilities in conformity with Ricoh's policy. Ricoh does not use derivative financial instruments for trading or speculative purposes, nor is it a party to

leveraged derivatives.

Changes in the fair value of derivative instruments and the related hedged item designated as fair value hedges are included in other (income) expenses on the consolidated statements of income. There is no hedging ineffectiveness nor are net gains or losses excluded from the assessment of hedge effectiveness for the year ended March 31, 2002 as the critical terms of the interest rate swap match the terms of the hedged debt obligations.

Changes in the fair value of derivative instruments and the related liabilities hedged designated as cash flow hedges are included in accumulated other comprehensive income (loss) on the consolidated balance sheets. These amounts are reclassified into earnings as interest on the hedged loans is paid. There is no hedging ineffectiveness, nor are net gains or losses excluded from the assessment of hedge effectiveness for the year ended March 31, 2002 as the critical terms of the interest rate swap match the terms of the hedged debt obligations. Ricoh ex-

pects that it will reclassify into earnings through other (income) expenses during the next 12 months approximately ¥18 million (\$135 thousand) of the balance of accumulated other comprehensive loss as of March 31, 2002.

Derivative instruments not designated as hedging instruments are held to reduce the risk relating to the variability in exchange rates on assets and liabilities denominated in foreign currencies. Changes in the fair value of these instruments are included in other (income) expenses on the consolidated statements of

income.

All derivative instruments are exposed to credit risk arising from the inability of counterparties to meet the terms of the derivative contracts. However, Ricoh does not expect any counterparties to fail to meet their obligations because these counterparties are financial institutions with high credit ratings. Ricoh utilizes numerous counterparties to minimize the concentration of credit risk.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2002, Ricoh had outstanding contractual commitments for acquisition or construction of plant, equipment and other assets aggregating ¥706 million (\$5,308 thousand).

Ricoh was contingently liable for discounted trade notes receivable on a full recourse basis with banks of ¥98 million (\$737 thousand) as of March 31, 2002. As of March 31, 2002, Ricoh was also contingently liable as guarantor for employees' housing loans of ¥640 million (\$4,812 thousand).

Ricoh made rental payments totaling ¥43,797 million, ¥39,956 million and

¥46,426 million (\$349,068 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively, under operating lease agreements for office space and machinery and equipment, which are primarily cancelable and renewable.

As of March 31, 2002, 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, 2001 and 2002 is summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2001		2002		2002	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Marketable securities and Investment securities	¥ 111,289	¥ 111,289	¥ 79,485	¥ 79,485	\$ 597,632	\$ 597,632
Long-term indebtedness	(217,743)	(252,964)	(332,995)	(337,670)	(2,503,722)	(2,538,872)
Interest rate swap agreements, net	189	4,480	4,081	4,081	30,684	30,684
Foreign currency contracts, net	(386)	(3,068)	(8,304)	(8,304)	(62,436)	(62,436)
Foreign currency options, net	—	(292)	(314)	(314)	(2,361)	(2,361)

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 2.

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, 2000, 2001 and 2002 and for the periods then ended.

(a) Operating Segment Information

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Sales—				
Office equipment	¥1,253,070	¥1,338,374	¥1,485,389	\$11,168,339
Other	197,490	205,095	190,815	1,434,699
Intersegment transaction	(3,403)	(5,207)	(3,864)	(29,053)
Consolidated	¥1,447,157	¥1,538,262	¥1,672,340	\$12,573,985
Operating expenses—				
Office equipment	¥1,124,675	¥1,195,834	¥1,304,079	\$ 9,805,106
Other	191,447	191,909	187,424	1,409,203
Intersegment transaction	(3,410)	(5,218)	(3,893)	(29,271)
Unallocated expense	45,524	50,632	55,035	413,797
Consolidated	¥1,358,236	¥1,433,157	¥1,542,645	\$11,598,835
Operating income—				
Office equipment	¥ 128,395	¥ 142,540	¥ 181,310	\$ 1,363,233
Other	6,043	13,186	3,391	25,496
Elimination	(45,517)	(50,621)	(55,006)	(413,579)
Consolidated	¥ 88,921	¥ 105,105	¥ 129,695	\$ 975,150
Other expenses	¥ (18,528)	¥ (7,340)	¥ (15,745)	\$ (118,383)
Income before income taxes, minority interests and equity in earnings of affiliates	¥ 70,393	¥ 97,765	¥ 113,950	\$ 856,767

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Total assets—				
Office equipment	¥ 965,316	¥1,179,499	¥1,219,723	\$ 9,170,850
Other	161,017	180,164	185,158	1,392,166
Elimination	(7,509)	(9,116)	(6,991)	(52,564)
Corporate assets	424,496	354,244	435,038	3,270,962
Consolidated	¥1,543,320	¥1,704,791	¥1,832,928	\$13,781,414
Expenditure for segment assets—				
Office equipment	¥ 51,817	¥ 61,836	¥ 68,513	\$ 515,135
Other	5,561	10,235	5,633	42,353
Corporate assets	978	1,258	1,530	11,504
Consolidated	¥ 58,356	¥ 73,329	¥ 75,676	\$ 568,992
Depreciation—				
Office equipment	¥ 54,046	¥ 52,908	¥ 64,426	\$ 484,406
Other	6,838	7,598	7,448	56,000
Corporate assets	1,062	1,636	1,908	14,346
Consolidated	¥ 61,946	¥ 62,142	¥ 73,782	\$ 554,752

Intersegment sales are not separated by operating segment because they are immaterial.

(b) Geographic Information

Sales which are attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2000, 2001 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Sales—				
Japan	¥ 873,170	¥ 930,433	¥ 902,655	\$ 6,786,880
The Americas	231,181	252,698	341,747	2,569,526
Europe	258,515	247,449	311,312	2,340,692
Other	84,291	107,682	116,626	876,887
Consolidated	¥1,447,157	¥1,538,262	¥1,672,340	\$12,573,985
Long-lived assets—				
Japan	¥ 227,980	¥ 244,506	¥ 257,752	\$ 1,937,985
The Americas	27,490	70,809	77,269	580,970
Europe	22,459	37,557	38,320	288,120
Other	11,181	12,694	12,897	96,970
Consolidated	¥ 289,110	¥ 365,566	¥ 386,238	\$ 2,904,045

(c) Additional Information

The following information shows net sales and operating income recognized by geographic origin for the years ended March 31, 2000, 2001 and 2002. In addition to the disclosure requirements under SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," Ricoh discloses this

information 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
	2000	2001	2002	2002
Sales—				
Japan				
External customers	¥ 885,998	¥ 954,125	¥ 938,946	\$ 7,059,744
Intersegment	259,792	279,802	309,745	2,328,910
Total	1,145,790	1,233,927	1,248,691	9,388,654
The Americas				
External customers	230,496	252,029	338,016	2,541,474
Intersegment	5,988	4,470	8,937	67,195
Total	236,484	256,499	346,953	2,608,669
Europe				
External customers	265,621	254,548	309,086	2,323,955
Intersegment	3,355	3,246	4,265	32,068
Total	268,976	257,794	313,351	2,356,023
Other				
External customers	65,042	77,560	86,292	648,812
Intersegment	36,026	39,571	60,655	456,053
Total	101,068	117,131	146,947	1,104,865
Elimination of intersegment sales	(305,161)	(327,089)	(383,602)	(2,884,226)
Consolidated	¥1,447,157	¥1,538,262	¥1,672,340	\$12,573,985
Operating expenses—				
Japan	¥1,083,227	¥1,150,353	¥1,142,522	\$ 8,590,391
The Americas	226,210	247,521	335,521	2,522,714
Europe	255,698	246,498	301,152	2,264,301
Other	95,802	110,937	139,874	1,051,684
Elimination of intersegment sales	(302,701)	(322,152)	(376,424)	(2,830,255)
Consolidated	¥1,358,236	¥1,433,157	¥1,542,645	\$11,598,835
Operating income—				
Japan	¥ 62,563	¥ 83,574	¥ 106,169	\$ 798,263
The Americas	10,274	8,978	11,432	85,955
Europe	13,278	11,296	12,199	91,722
Other	5,266	6,194	7,073	53,180
Elimination of intersegment profit	(2,460)	(4,937)	(7,178)	(53,970)
Consolidated	¥ 88,921	¥ 105,105	¥ 129,695	\$ 975,150
Other expenses	¥ (18,528)	¥ (7,340)	¥ (15,745)	\$ (118,383)
Income before income taxes, minority interests and equity in earnings of affiliates	¥ 70,393	¥ 97,765	¥ 113,950	\$ 856,767
Total assets—				
Japan	¥ 956,670	¥1,042,557	¥1,084,387	\$ 8,153,286
The Americas	93,191	209,638	228,743	1,719,872
Europe	120,587	163,542	172,408	1,296,301
Other	52,791	63,438	61,549	462,775
Elimination	(104,415)	(128,628)	(149,197)	(1,121,782)
Corporate assets	424,496	354,244	435,038	3,270,962
Consolidated	¥1,543,320	¥1,704,791	¥1,832,928	\$13,781,414

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, 2000, 2001 and 2002.

19. RESEARCH AND DEVELOPMENT EXPENSES AND ADVERTISING COSTS

The following amounts were charged to costs and expenses for the years ended March 31, 2000, 2001 and 2002:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Research and development costs	¥66,524	¥78,239	¥80,799	\$607,511
Advertising costs	16,081	18,592	16,868	126,827

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, 2001 and 2002, and the related consolidated statements of income, shareholders' investment and cash flows for each of the three years in the period ended March 31, 2002, 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, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America (see Note 2).

As discussed in Note 2 to the consolidated financial statements, the Company and its subsidiaries changed their method of accounting for derivative instruments and hedging activities effective April 1, 2001.

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
May 31, 2002