



## Management's Discussion and Analysis of Fiscal 2004 Results

### Revenues

In fiscal 2004 (extending from April 1st, 2003 to March 31st, 2004), consolidated net sales of the Ricoh Group increased 2.4% from the previous corresponding period to ¥1,780.2 billion (\$17,118 million), and this was the 10th consecutive revenue growth. The average exchange rates prevailing during the term were ¥113.09 to the dollar (up ¥8.87) and ¥132.65 to the euro (down ¥11.65). Accordingly, the increase in sales with respect to the previous period would be 1.8%, excluding the effect of such foreign exchange fluctuation.

In terms of the domestic market, sales increased for Printing Systems such as multifunctional printers (MFPs) and laser printers. Although sales performance also became favorable for solutions business such as support services and document management, sales of optical disc decreased. As a result of these factors, overall sales of Office Equipment increased 1.4% from the previous corresponding period. In terms of Other Businesses areas, furthermore, results were affected by poor demand for measuring equipment. However, optical equipments, leasing and other business continue to perform favorably. Consequently, overall domestic sales increased 2.0% to ¥914.0 billion (\$8,789 million). Domestic sales accounted for 51.3% of consolidated net sales, down 0.2 percentage point.

In terms of overseas sales, though sales decreased due to the yen's appreciation against the dollar in the United States, our office equipment business continued to perform favorably in Europe. In other areas, sluggish demand for optical disc products led to a reduction in sales figures. In terms of sales by product category, our core products—namely, color plain paper copiers (PPCs) and Printing Systems—generated increased sales, and this

compensated for reduced sales of standalone analog equipments and optical discs. As a result of these factors, sales in overseas markets increased 2.8% from the previous corresponding previous period to ¥866.1 billion (\$8,329 million). Overseas sales would increase 1.5%, excluding the effect of foreign exchange rates fluctuations. Furthermore, these sales accounted for 48.7% of consolidated net sales, up 0.2 percentage point.

### Operating Income

Gross profit increased 2.7% to ¥765.6 billion (\$7,362 million). In both Japan and abroad, sales increased for high-margin, high-value-added products—notably MFPs and laser printers—and in addition to the effect of the yen's depreciation against the euro, Ricoh also benefited from ongoing cost cutting efforts.

Selling, general and administrative expenses increased 2.0% to ¥623.9 billion (\$5,999 million). This increase was primarily due to strategic spending on research and development, the development of core systems, and losses of ¥5.9 billion (\$57 million) incurred as a result of settlement of tax qualified pension plan.

Ricoh completed its transfer to the Japanese government of the substitutional portion of the Employee Pension Fund (EPF). Ricoh recognized as settlement loss of ¥48.6 billion (\$468 million) and subsidy from government of ¥56.9 billion (\$548 million) for the transfer of such substitutional portion of the EPF.

Consequently, operating income increased by 12.2% from the previous corresponding period to ¥150.0 billion (\$1,442 million).

### SALES BY PRODUCT LINE

	2003		2004		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
<b>Office Equipment:</b>					
Imaging Solutions	¥ 859,713	49.5%	<b>¥ 803,574</b>	<b>45.1%</b>	<b>\$ 7,726,673</b>
Network Input/Output Systems	463,379	26.7	<b>558,237</b>	<b>31.4</b>	<b>5,367,663</b>
Network System Solutions	197,482	11.3	<b>195,822</b>	<b>11.0</b>	<b>1,882,904</b>
<b>Other Businesses</b>	217,784	12.5	<b>222,612</b>	<b>12.5</b>	<b>2,140,500</b>
<b>Total</b>	<b>¥1,738,358</b>	<b>100.0%</b>	<b>¥1,780,245</b>	<b>100.0%</b>	<b>\$17,117,740</b>

### SALES BY GEOGRAPHIC AREA

	2003		2004		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Japan	¥ 896,022	51.5%	<b>¥ 914,060</b>	<b>51.3%</b>	<b>\$ 8,789,038</b>
The Americas	343,940	19.8	<b>326,380</b>	<b>18.3</b>	<b>3,138,269</b>
Europe	354,477	20.4	<b>402,392</b>	<b>22.6</b>	<b>3,869,154</b>
Other	143,919	8.3	<b>137,413</b>	<b>7.8</b>	<b>1,321,279</b>
<b>Total</b>	<b>¥1,738,358</b>	<b>100.0%</b>	<b>¥1,780,245</b>	<b>100.0%</b>	<b>\$17,117,740</b>

## Income before Income Taxes

In terms of other (income) expenses, interest and dividend income decreased primarily due to sluggish financial markets, and in addition, foreign exchange losses also increased. Meanwhile, the company reduced interest-bearing debt and interest costs by reinforcing cash management systems in Japan, the United States, and Europe. In accordance with an amendment of the pension system, furthermore, certain marketable securities were contributed to the employee retirement benefit trust, and this generated net realized gains of the securities. As the result, income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change increased 15.9%, to ¥143.0 billion (\$1,376 million).

## Net Income

With regard to taxes, the amount of tax exemption on research and development expenses and information technology investments increased, thereby leading to a decline in the effective tax rate. The effect of improvement in business performance of our affiliates is reflected in minority interests in earnings of subsidiaries. In addition, the cumulative effects of accounting change in accounting for marketable securities transferred to pension trust in a previous year were also reflected in the income statement in connection with gain recognition for additional contribution to the employee pension trust made in March, 2004. As a result of the above, net income increased 26.6% to ¥91.7 billion (\$882 million), and this represents the 12th consecutive increase and the 10th consecutive record high. We raised cash dividends paid per share of common stock to ¥15.00 (\$0.14), an increase for the fourth consecutive year.

## Segment Information

### CONSOLIDATED SALES BY PRODUCT LINE

#### 1. Office Equipment

Demand placed on customers for productivity overhaul and enhancement has risen sharply. At the Ricoh group, we continue to propose solutions that optimize our customers' total printing costs, thus supporting the efficient and effective management of TDV (total document volume) through the further expansion of digital networking in combination with increased digitization, colorization and high speeding, we are advancing the level of digitization and networking in standalone analog equipments and the level of support for increased color usage and speed.

As a result, we have significantly increased sales, particularly in MFPs, laser printers, and other printing solutions. Furthermore, sales generated by

solution business dealing with support services, software, and the like continue to grow. In Japan, sales of personal computers and servers decreased and there is currently stagnation in the retail of optical-disc products. Furthermore, overseas operations are suffering under the effect of turmoil in the Middle East, the yen's appreciation against to the dollar, sluggish demand in the Asian region, and other factors. Nevertheless, the deployment and expansion of strategies for our core products proved effective, and sales increased in both the domestic and overseas markets. Accordingly, sales of Office Equipment increased 2.4% from the previous corresponding period to ¥1,557.6 billion (\$14,977 million).

#### *Imaging Solutions*

In terms of Digital Imaging Systems, the Company has strengthened its lineup of digital PPC products from standard models to high-speed digital models, in addition, we also offered new color PPC products to our range. Digital PPC products are now performing well in overseas markets, and sales of color PPC products have increased both in Japan and overseas. Nevertheless, the shift towards Printing Systems has led to a 3.3% reduction in overall sales of Digital Imaging Systems from the previous corresponding period.

In terms of Other Imaging Systems, sales decreased 15.2% as a result of the trend to move away from analog type equipment in favor of digital equipments and MFPs.

Accordingly, the effect of Ricoh group strategies on the entire Imaging Solutions field has lead to sales dropping by 6.5% to ¥803.5 billion (\$7,727 million). Sales in this category accounted for 45.1% of consolidated net sales, down 4.4 percentage points.

#### *Network Input/Output Systems*

In the field of Printing Systems, Ricoh introduced new products with higher levels of speed, networkability, and color support to expand the sale of printing equipment to meet customer needs. In terms of MFPs, Imagio Neo 352/452 and Imagio Neo C385/C325 was well received here in Japan, and the same is true for Aficio 2035/2045 and Aficio 1224C/1232C in overseas markets. Sales of laser printers are also on the increase, with the IPSiO NX85S and IPSiO CX7200 performing favorably in the domestic market, and the AP400/400N and Aficio CL3000 moving well overseas. In accordance with these factors, overall sales of Printing Systems increased 24.6%.

In Other Input/Output Systems, although optical discs performed favorably in overseas markets in the previous period, there has been a downturn in the retail of drives, and overall sales for Other Input/Output Systems decreased 10.1%.

As a result, sales in Network Input/Output Systems, our key field for the implementation of strategies, increased 20.5% to ¥558.2 billion (\$5,368 million). Sales in this category accounted for 31.4% of consolidated net sales, up 4.7 percentage points.

### *Network System Solutions*

In order to support customers in the optimization of their total printing costs, Ricoh has strengthened the solution business with respect to support services, document management, and software. This has also led to increased domestic and overseas sales. On the other hand, sales of personal computers and servers continued to decline in Japan, reflecting sluggish information technology spending. In accordance with these factors, sales in this category decreased 0.8% to ¥195.8 billion (\$1,883 million).

### **2. Other Businesses**

Sales generated by Other Business activities increased 2.2% to ¥222.6 billion (\$2,141 million). Optical equipments, leasing and other business performed favorably, although results have become stagnant in the sluggish market for measuring equipment.

## **CONSOLIDATED SALES BY GEOGRAPHIC AREA**

### **1. Japan**

While recovery is now predicted for stock market conditions, corporate capital expenditure, and business profitability, conditions within the Japanese domestic market remain difficult. Accordingly, we have promoted product and marketing strategies in Office Equipment in order to respond suitably to customer needs, and as a result, Printing Systems such as MFPs and laser printers performed favorably in terms of sales, as have solution business products such as support services and software. Meanwhile, sales in analog equipments replaced with MFPs and color equipments and sales of personal computers and servers declined. In terms of Other Businesses, sales have also fallen in the sluggish market for measuring equipment, although leasing and other business performed favorably. As a result of these factors, sales in Japan have increased 2.0% to ¥914.0 billion (\$8,789 million). Domestic sales accounted for 51.3% of consolidated net sales, down 0.2 percentage point.

### **2. The Americas**

In circumstances of repercussions from the Iraq war, turmoil in the Middle East, and severe competition, through its enhanced sales network, Ricoh has injected full effort into the retail of color PPCs and into Printing Systems that can respond to customers' changing needs for networking, coloration, and high speeding. Furthermore, we have also striven to expand sales to major accounts. Nevertheless, sales in the Americas have decreased 5.1% to ¥326.3 billion (\$3,138 million), due to the higher yen against the dollar, and after factoring out the yen's appreciation, sales increased 2.1%.

### **3. Europe**

With European economies remaining relatively stable, sales of color PPCs and Printing Systems increased. Ricoh has strengthened its sales network and continuously reinforced its brand power, and these efforts have helped Ricoh to maintain its top share of the European market for copiers and MFPs. The yen's depreciation against the euro also contributed. As a result, sales in Europe increased 13.5% to ¥402.3 billion (\$3,869 million).

### **4. Other**

In China and other Asian markets, a full-fledged shift in business-equipment purchasing trends towards digital networked and color models has generated an increase in our sales of color PPCs and Printing Systems. However, demand for optical discs has dropped and performance has also been affected by a reduction in demand throughout the entire Asian region. Accordingly, sales in other regions decreased 4.5% to ¥137.4 billion (\$1,321 million).

## **Financial Position**

In Assets, trade receivables especially in Japan and Europe increased with respect to the previous period. Inventories reduced, and property, plant and equipment decreased mainly owing to capital expenditure focused on effective performance. On the other hand, finance receivables increased, mainly in Japan. Factors such as the replacement of investment securities with marketable securities and lower deferred tax assets as a result of reduced employee pension obligations caused investments and other assets decreased. As a result, total assets decreased ¥32.1 billion to ¥1,852.7 billion (\$17,815 million).

Turning to liabilities, domestic and overseas trade payables increased. Interest-bearing debt has been reduced by due primarily to efforts to lower borrowing. Furthermore, other current liabilities decreased, and as a result of amendment of the domestic pension system and transfer of the substitutional portion of the Employees' Pension Fund, retirement benefit obligations reduced. In accordance with the above, total liabilities decreased ¥165.3 billion to ¥1,008.7 billion (\$9,700 million).

In Shareholders' Equity, common stock and additional paid-in capital were essentially unchanged. Retained earnings increased, and accumulated other comprehensive income decreased due primarily to the decrease of pension liability adjustments. Consequently, total shareholders' equity increased ¥137.6 billion to ¥795.1 billion (\$7,645 million).

## LONG-TERM INDEBTEDNESS

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

	Average pay rate	Millions of yen								
		Total	Expected maturity date						2010 and thereafter	Fair Value
			2005	2006	2007	2008	2009			
Bonds	1.39%	<b>¥140,000</b>	¥10,000	¥40,000	¥ 45,000	¥10,000	¥25,000	¥10,000	¥143,028	
Medium-Term Notes	0.28	<b>16,000</b>	12,000	3,000	—	—	—	1,000	15,981	
Loans	1.42	<b>201,771</b>	59,017	87,004	25,508	19,753	1,041	9,448	201,721	
<b>Total</b>		<b>¥357,771</b>	<b>¥81,017</b>	<b>¥130,004</b>	<b>¥70,508</b>	<b>¥29,753</b>	<b>¥26,041</b>	<b>¥20,448</b>	<b>¥360,730</b>	

	Average pay rate	Thousands of U.S. dollars								
		Total	Expected maturity date						2010 and thereafter	Fair Value
			2005	2006	2007	2008	2009			
Bonds	1.39%	<b>\$1,346,154</b>	\$96,154	\$384,615	\$432,692	\$96,154	\$240,385	\$96,154	\$1,375,265	
Medium-Term Notes	0.28	<b>153,846</b>	115,385	28,846	—	—	—	9,615	153,661	
Loans	1.42	<b>1,940,106</b>	567,471	836,577	245,269	189,933	10,010	90,846	1,939,622	
<b>Total</b>		<b>\$3,440,106</b>	<b>\$779,010</b>	<b>\$1,250,038</b>	<b>\$677,961</b>	<b>\$286,087</b>	<b>\$250,395</b>	<b>\$196,615</b>	<b>\$3,468,548</b>	

## INTEREST RATE SWAPS

				Millions of yen							
Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	Expected maturity date						Fair Value
					2005	2006	2007	2008	2009	2010 and thereafter	
¥ 87,000	Receive floating/Pay fixed	0.19%	0.30%	<b>¥87,000</b>	¥ 2,000	¥52,000	¥22,000	¥10,000	¥ —	¥ 1,000	¥2,190
60,000	Receive fixed/Pay floating	2.20	0.11	<b>60,000</b>	17,000	18,000	1,000	4,000	2,000	18,000	(34)
US\$ 20	Receive floating/Pay floating	7.36%	1.89%	<b>¥ 2,114</b>	¥ 2,114	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 110

				Thousands of U.S. dollars							
Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	Expected maturity date						Fair Value
					2005	2006	2007	2008	2009	2010 and thereafter	
¥ 87,000	Receive floating/Pay fixed	0.19%	0.30%	<b>\$836,538</b>	\$19,231	\$500,000	\$211,538	\$96,154	\$ —	\$ 9,615	\$21,058
60,000	Receive fixed/Pay floating	2.20	0.11	<b>576,924</b>	163,462	173,077	9,615	38,462	19,231	173,077	(327)
US\$ 20	Receive floating/Pay floating	7.36%	1.89%	<b>\$20,327</b>	\$20,327	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,060

## Cash Flows

Although net income and depreciation and amortization increased, increase of trade receivables and inventories, and the payment of corporate tax resulted in net cash provided by operating activities decreasing by ¥30.8 billion from the previous corresponding period to ¥154.9 billion (\$1,490 million).

While investment continued for the enhancement of new-product lines, factors such as reduced fund investments resulted in the net cash used in investing activities decreasing by ¥34.8 billion from the previous corresponding period to ¥63.3 billion (\$609 million).

As a result of the above factors, free cash flow generated by operating and investing activities increased ¥3.9 billion to ¥91.5 billion (\$880 million).

Effective use of financial resources was promoted throughout the group and every effort was made to reduce interest-bearing debt. Consequently, net cash used in financing activities reached a level of ¥74.8 billion (\$720 million). Note that this expenditure includes dividend payments of ¥11.1 billion (\$107 million) and ¥11.4 billion (\$110 million) to secure treasury stock.

As a result of these factors, cash and cash equivalents at the close of the term increased ¥13.7 billion with respect to the previous period to ¥203.0 billion (\$1,952 million).

## Capital Expenditures

Ricoh's capital expenditures for fiscal 2002, 2003 and 2004 were ¥75.6 billion, ¥73.9 billion and ¥75.5 billion (\$726 million), respectively. Ricoh directs a significant portion of its capital expenditures towards digital and networking equipment, such as digital plain paper copiers ("PPCs"), multi-functional printers ("MFPs") and laser printers, and manufacturing facilities to maintain or enhance competitiveness in the industry. In fiscal 2004, Ricoh also invested a significant amount of capital to upgrade its information systems for its back-office operations, such as procurement, accounting, and the management of intellectual property. With this upgrade in the information systems, Ricoh is installing a new accounting system and a new intellectual property management system during fiscal 2004 to better track and manage its operations. Ricoh projects that for fiscal 2005 its capital expenditures will amount to approximately ¥74.5 billion.

## Key Financial Ratios

We have provided the following ratios to facilitate analysis of the Company's operations for fiscal 2002, 2003, and 2004.

	Fiscal 2002	Fiscal 2003	Fiscal 2004
Return on sales	3.7%	4.2%	5.2%
Return on shareholders' investment	10.4%	11.2%	12.6%
Current ratio	1.30	1.40	1.44
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	0.89	0.74	0.54
Interest coverage	16.3	20.1	28.7

## 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. To a lesser extent, Ricoh is also exposed to equity price risk. In order to manage these risks that arise in the normal course of business, Ricoh enters into various 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 for the fiscal 2004, and there are no material quantitative changes in market risk exposure at March 31, 2004. In the normal course of business, Ricoh also faces risks that are either non-financial or nonquantifiable. Such risks principally include credit risk and legal risk, and are not represented in the tables.

## FOREIGN EXCHANGE FORWARD CONTRACTS

	Average contractual rates	Millions of yen		Thousands of U.S. dollars	
		Contract amounts	Estimated fair value	Contract amounts	Estimated fair value
US\$/¥	110.35	¥ 8,662	¥ 367	\$ 83,288	\$ 3,529
EUR/¥	131.46	45,959	1,044	441,913	10,038

### 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 the underlying assets and liabilities.

The table provides information about Ricoh's material derivative financial instruments that are sensitive to foreign currency exchange rates. The table relating to foreign exchange forward contracts presents the notional amounts, weighted average exchange rates and estimated fair value. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contracts.

### 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 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, related weighted average interest rates and estimated fair value. For interest rate swaps, the table presents notional amounts by expected maturity date, weighted average interest rates and estimated fair value. Notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

### CREDIT RISK

Ricoh is also exposed to credit-related losses in the event of nonperformance by counterparties to the financial instrument; however, 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 a diversified

group of financial institutions having credit ratings satisfactory to Ricoh to minimize the concentration of credit risk. Therefore, Ricoh does not expect to incur material credit losses on its financial instruments.

### EQUITY PRICE RISK

Ricoh has a relatively small portion of marketable securities which are subject to equity price risk arising from changes in their market prices. Marketable securities consist of a diversified pool of Japanese equity securities. Ricoh's overall investment policy is to invest in highly-liquid, low risk investments.

The table provides information about contractual maturities for available-for-sale securities and the fair values for market risk sensitive securities as of March 31, 2004.

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair value	Cost	Fair value
Debt securities				
Due within one year	¥ 45,139	¥45,123	\$434,029	\$433,875
Due after one year through five years	—	—	—	—
Equity securities	5,053	13,100	48,587	125,962
Investment trusts*	1,175	1,667	11,298	16,029
<b>Total</b>	<b>¥51,367</b>	<b>¥59,890</b>	<b>\$493,914</b>	<b>\$575,866</b>

\* Investment trusts consist of investments in marketable debt and equity securities.

## Selected Financial Data

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

	1995	1996	1997
<b>For the Year:</b>			
Net sales	¥1,020,296	¥1,113,030	¥1,316,072
Cost of sales	628,071	683,406	772,238
Selling, general and administrative expenses	339,891	374,246	460,471
Income before income taxes, minority interests and equity in earnings of affiliates	41,674	51,020	66,905
Provision for income taxes	24,931	28,251	39,864
Net income	18,593	21,869	28,922
Capital expenditures	45,437	48,828	78,666
Depreciation and amortization	44,960	46,430	51,000
<b>Per Share Data</b> (in yen and dollars):			
Net income:			
Basic	¥ 28.54	¥ 33.55	¥ 44.16
Diluted	26.43	31.21	38.95
Cash dividends paid	10.00	10.00	11.00
<b>At Year-End:</b>			
Total assets	¥1,320,617	¥1,508,519	¥1,644,896
Long-term indebtedness	386,535	411,023	386,918
Shareholders' investment	377,840	401,471	422,923
Working capital	142,021	139,163	77,527
Return on sales	1.8%	2.0%	2.2%
Return on shareholders' investment	5.1	5.6	7.0
<b>Common Stock Price Range</b> (in yen and dollars):			
High	¥ 1,020	¥ 1,230	¥ 1,530
Low	726	650	1,050

Millions of yen							Thousands of U.S. dollars
1998	1999	2000	2001	2002	2003	2004	2004
¥1,403,348	¥1,425,999	¥1,447,157	¥1,538,262	¥1,672,340	¥1,738,358	<b>¥1,780,245</b>	<b>\$17,117,740</b>
838,440	857,423	867,148	924,893	972,394	993,009	<b>1,014,619</b>	<b>9,755,952</b>
475,201	495,029	491,088	508,264	570,251	611,695	<b>623,935</b>	<b>5,999,375</b>
68,428	53,054	70,393	97,765	113,950	123,470	<b>143,063</b>	<b>1,375,606</b>
40,210	24,555	28,363	43,512	51,147	51,984	<b>56,641</b>	<b>544,625</b>
30,131	30,655	41,928	53,228	61,614	72,513	<b>91,766</b>	<b>882,365</b>
94,117	70,469	58,356	73,329	75,676	73,956	<b>75,507</b>	<b>726,029</b>
61,971	67,456	61,946	62,142	73,782	76,551	<b>76,968</b>	<b>740,077</b>
¥ 44.97	¥ 44.33	¥ 60.61	¥ 76.85	¥ 88.27	¥ 99.79	<b>¥ 123.63</b>	<b>\$ 1.19</b>
41.35	40.94	56.06	71.02	82.46	96.81	<b>123.63</b>	<b>1.19</b>
11.50	11.00	11.00	11.50	12.00	14.00	<b>15.00</b>	<b>0.14</b>
¥1,660,496	¥1,628,017	¥1,543,320	¥1,704,791	¥1,832,928	¥1,884,922	<b>¥1,852,793</b>	<b>\$17,815,317</b>
295,536	344,580	307,962	217,743	332,995	345,902	<b>281,570</b>	<b>2,707,404</b>
475,005	487,459	541,506	556,728	633,020	657,514	<b>795,131</b>	<b>7,645,490</b>
31,681	176,161	187,553	(29)	197,967	233,930	<b>264,389</b>	<b>2,542,202</b>
2.1%	2.1%	2.9%	3.5%	3.7%	4.2%	<b>5.2%</b>	—
6.7	6.4	8.1	9.7	10.4	11.2	<b>12.6</b>	—
¥ 1,900	¥ 1,634	¥ 2,525	¥ 2,495	¥ 2,735	¥ 2,470	<b>¥ 2,365</b>	<b>\$ 22.74</b>
1,270	969	1,078	1,627	1,563	1,637	<b>1,607</b>	<b>15.45</b>

## Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries  
March 31, 2003 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 189,243	¥ 203,039	\$ 1,952,298
Time deposits	11,087	962	9,250
Marketable securities	107	45,124	433,885
Trade receivables—			
Notes	76,022	76,499	735,567
Accounts	359,769	362,784	3,488,308
Less—Allowance for doubtful receivables	(17,849)	(17,039)	(163,837)
Inventories—			
Finished goods	102,164	100,154	963,019
Work in process and raw materials	43,887	45,215	434,760
Deferred income taxes and other	58,083	55,079	529,606
Total current assets	822,513	871,817	8,382,856
<b>Property, Plant and Equipment, at Cost:</b>			
Land	42,990	43,423	417,529
Buildings	204,606	200,844	1,931,192
Machinery and equipment	660,458	653,467	6,283,337
Construction in progress	6,540	10,629	102,202
	914,594	908,363	8,734,260
Less—Accumulated depreciation	(665,842)	(669,651)	(6,438,953)
	248,752	238,712	2,295,307
<b>Investments and Other Assets:</b>			
Finance receivables	476,293	514,047	4,942,760
Investment securities	71,973	21,871	210,298
Investments in and advances to affiliates	45,791	46,967	451,606
Goodwill	28,109	25,298	243,250
Other intangible assets	40,020	43,233	415,702
Lease deposits and other	151,471	90,848	873,538
	813,657	742,264	7,137,154
	¥1,884,922	¥1,852,793	\$17,815,317

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

<b>LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
<b>Current Liabilities:</b>			
Short-term borrowings	¥ 84,478	¥ 68,952	\$ 663,000
Current maturities of long-term indebtedness	54,235	82,210	790,481
Trade payables—			
Notes	32,943	29,937	287,856
Accounts	247,855	267,735	2,574,375
Accrued income taxes	42,393	25,050	240,865
Accrued expenses and other	126,679	133,544	1,284,077
Total current liabilities	588,583	607,428	5,840,654
<b>Long-Term Liabilities:</b>			
Long-term indebtedness	345,902	281,570	2,707,404
Accrued pension and severance costs	209,011	83,492	802,808
Deferred income taxes	30,653	36,295	348,990
	585,566	401,357	3,859,202
<b>Minority Interests</b>	53,259	48,877	469,971
<b>Commitments and Contingent Liabilities (Note 16)</b>			
<b>Shareholders' Investment:</b>			
Common stock:			
Authorized—993,000,000 shares in 2003 and 2004			
Issued and outstanding—744,912,078 shares and 742,608,635 shares in 2003 and 744,912,078 shares and 738,894,891 shares in 2004	135,364	135,364	1,301,577
Additional paid-in capital	186,521	186,599	1,794,221
Retained earnings	434,748	515,372	4,955,500
Accumulated other comprehensive income (loss)	(94,733)	(30,272)	(291,077)
Treasury stock at cost; 2,303,443 shares in 2003 and 6,017,187 shares in 2004	(4,386)	(11,932)	(114,731)
Total shareholders' investment	657,514	795,131	7,645,490
	¥1,884,922	¥1,852,793	\$17,815,317

## Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries  
For the Years Ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
<b>Net Sales</b>	¥1,672,340	¥1,738,358	<b>¥1,780,245</b>	<b>\$17,117,740</b>
<b>Cost of Sales</b>	972,394	993,009	<b>1,014,619</b>	<b>9,755,952</b>
Gross profit	699,946	745,349	<b>765,626</b>	<b>7,361,788</b>
<b>Selling, General and Administrative Expenses</b>	570,251	611,695	<b>623,935</b>	<b>5,999,375</b>
<b>Transfer to the government of the substitutional portion of Employees' Pension Fund:</b>				
Settlement loss	—	—	<b>48,657</b>	<b>467,856</b>
Subsidy from government	—	—	<b>(56,972)</b>	<b>(547,808)</b>
Operating income	129,695	133,654	<b>150,006</b>	<b>1,442,365</b>
<b>Other (Income) Expenses:</b>				
Interest and dividend income	(4,753)	(3,772)	<b>(1,925)</b>	<b>(18,510)</b>
Interest expense	8,233	6,853	<b>5,290</b>	<b>50,865</b>
Foreign currency exchange (gain) loss, net	5,732	566	<b>6,136</b>	<b>59,000</b>
Other, net	6,533	6,537	<b>(2,558)</b>	<b>(24,596)</b>
Total	15,745	10,184	<b>6,943</b>	<b>66,759</b>
<b>Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change</b>	113,950	123,470	<b>143,063</b>	<b>1,375,606</b>
<b>Provision for Income Taxes:</b>				
Current	52,365	63,183	<b>53,303</b>	<b>512,529</b>
Deferred	(1,218)	(11,199)	<b>3,338</b>	<b>32,096</b>
Total	51,147	51,984	<b>56,641</b>	<b>544,625</b>
<b>Income before Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change</b>	62,803	71,486	<b>86,422</b>	<b>830,981</b>
<b>Minority Interests</b>	3,080	1,376	<b>4,094</b>	<b>39,365</b>
<b>Equity in Earnings of Affiliates</b>	1,891	2,403	<b>2,065</b>	<b>19,855</b>
<b>Income before Cumulative Effect of Accounting Change</b>	—	—	<b>84,393</b>	<b>811,471</b>
<b>Cumulative Effect of Accounting Change, net of tax</b>	—	—	<b>7,373</b>	<b>70,894</b>
<b>Net Income</b>	¥ 61,614	¥ 72,513	<b>¥ 91,766</b>	<b>\$ 882,365</b>

Yen

U.S. dollars

### Per Share of Common Stock:

Basic:				
Income before cumulative effect of accounting change	¥ 88.27	¥ 99.79	<b>¥ 113.69</b>	<b>\$ 1.09</b>
Cumulative effect of accounting change	—	—	<b>9.94</b>	<b>0.10</b>
Net income	88.27	99.79	<b>123.63</b>	<b>1.19</b>
Diluted:				
Income before cumulative effect of accounting change	82.46	96.81	<b>113.69</b>	<b>1.09</b>
Cumulative effect of accounting change	—	—	<b>9.94</b>	<b>0.10</b>
Net income	82.46	96.81	<b>123.63</b>	<b>1.19</b>
Cash dividends per share	¥ 12.00	¥ 14.00	<b>¥ 15.00</b>	<b>\$ 0.14</b>

### Per American Depositary Share, Each Representing 5 Shares of Common Stock:

Basic:				
Income before cumulative effect of accounting change	¥ 441.35	¥ 498.95	<b>¥ 568.45</b>	<b>\$ 5.46</b>
Cumulative effect of accounting change	—	—	<b>49.70</b>	<b>0.48</b>
Net income	441.35	498.95	<b>618.15</b>	<b>5.94</b>
Diluted:				
Income before cumulative effect of accounting change	412.30	484.05	<b>568.45</b>	<b>5.46</b>
Cumulative effect of accounting change	—	—	<b>49.70</b>	<b>0.48</b>
Net income	412.30	484.05	<b>618.15</b>	<b>5.94</b>
Cash dividends per share	¥ 60.00	¥ 70.00	<b>¥ 75.00</b>	<b>\$ 0.72</b>

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

## Consolidated Statements of Shareholders' Investment

Ricoch Company, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2002, 2003 and 2004	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
<b>Common Stock:</b>				
Beginning balance	¥103,434	¥120,461	¥135,364	\$1,301,577
Conversion of convertible bonds; 34,522,672 shares in 2002, and 24,633,822 shares in 2003	17,027	14,903	—	—
Ending balance	¥120,461	¥135,364	¥135,364	\$1,301,577
<b>Additional Paid-in Capital:</b>				
Beginning balance	¥154,635	¥171,628	¥186,521	\$1,793,471
Conversion of convertible bonds	16,993	14,893	—	—
Issuance of treasury stock in exchange for subsidiary's stock	—	—	78	750
Ending balance	¥171,628	¥186,521	¥186,599	\$1,794,221
<b>Retained Earnings:</b>				
Beginning balance	¥332,447	¥385,741	¥434,748	\$4,180,269
Net income for the year	61,614	72,513	91,766	882,365
Dividends declared and approved	(8,320)	(10,178)	(11,142)	(107,134)
Retirement of treasury stock; 7,000,000 shares in 2003	—	(13,328)	—	—
Ending balance	¥385,741	¥434,748	¥515,372	\$4,955,500
<b>Accumulated Other Comprehensive Income (Loss):</b>				
Beginning balance	¥ (33,788)	¥ (44,376)	¥ (94,733)	\$ (910,894)
Foreign currency translation adjustments	(6,516)	1,007	(5,393)	(51,856)
Unrealized gains (losses) on securities, net of reclassification adjustment	(766)	(1,984)	(4,556)	(43,808)
Unrealized gains (losses) on derivatives, net of reclassification adjustment	(207)	29	154	1,481
Minimum pension liability adjustments	(16,131)	(49,409)	74,256	714,000
Ending balance	¥ (44,376)	¥ (94,733)	¥ (30,272)	\$ (291,077)
<b>Treasury stock:</b>				
Beginning balance	—	¥ (434)	¥ (4,386)	\$ (42,173)
Purchase of treasury stock; 446,928 shares in 2002, 9,111,925 shares in 2003 and 5,731,150 shares in 2004	¥ (1,083)	(17,280)	(11,411)	(109,721)
Sales of treasury stock; 269,000 shares in 2002 and 6,873 shares in 2004	649	—	13	125
Retirement of treasury stock; 7,000,000 shares in 2003	—	13,328	—	—
Issuance of treasury stock in exchange for subsidiary's stock; 2,010,533 shares in 2004	—	—	3,852	37,038
Ending balance	¥ (434)	¥ (4,386)	¥ (11,932)	\$ (114,731)
<b>Comprehensive Income:</b>				
Net income for the year	¥ 61,614	¥ 72,513	¥ 91,766	\$ 882,365
Other comprehensive income (loss) for the year, net of tax	(10,588)	(50,357)	64,461	619,817
Total comprehensive income for the year	¥ 51,026	¥ 22,156	¥156,227	\$1,502,182

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, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
<b>Cash Flows from Operating Activities:</b>				
Net income	¥ 61,614	¥ 72,513	¥ 91,766	\$ 882,365
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization	73,782	76,551	76,968	740,077
Equity in earnings of affiliates, net of dividends received	(1,260)	(1,167)	(1,001)	(9,625)
Deferred income taxes	(1,218)	(9,289)	3,338	32,096
Losses on disposals and sales of property, plant and equipment	1,665	1,975	2,035	19,567
Cumulative effect of accounting change, net of tax	—	—	(7,373)	(70,894)
Changes in assets and liabilities, net of effects from acquisition—				
(Increase) decrease in trade receivables	(20,006)	22,176	(11,367)	(109,298)
(Increase) decrease in inventories	21,194	14,983	(4,317)	(41,509)
Increase in finance receivables	(13,620)	(33,109)	(32,650)	(313,942)
(Decrease) increase in trade payables	(19,535)	5,632	21,316	204,962
(Decrease) increase in accrued income taxes and accrued expenses and other	(13,592)	11,173	(5,913)	(56,856)
(Decrease) increase in accrued pension and severance costs	8,374	7,806	(609)	(5,856)
Other, net	7,740	16,498	22,718	218,442
Net cash provided by operating activities	105,138	185,742	154,911	1,489,529
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sales of property, plant and equipment	756	245	190	1,827
Expenditures for property, plant and equipment	(75,231)	(71,984)	(75,432)	(725,308)
Payments for purchases of available-for-sale securities	(10,025)	(52,219)	(35,518)	(341,519)
Proceeds from sales of available-for-sale securities	24,568	24,513	45,464	437,154
(Increase) decrease in time deposits	(477)	944	9,915	95,336
Other, net	(21,012)	302	(8,002)	(76,942)
Net cash used in investing activities	(81,421)	(98,199)	(63,383)	(609,452)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from long-term loans	71,075	58,194	13,349	128,356
Repayment of long-term loans	(79,640)	(23,133)	(31,509)	(302,971)
(Decrease) in short-term borrowings, net	(39,414)	(73,393)	(10,728)	(103,154)
Proceeds from issuance of long-term debt securities	103,500	11,000	1,000	9,615
Repayment of long-term debt securities	(10,000)	(11,723)	(23,910)	(229,904)
Dividend payments	(8,322)	(10,176)	(11,136)	(107,077)
Payment for purchase of treasury stock	(1,054)	(17,281)	(11,411)	(109,721)
Other, net	90	(631)	(490)	(4,711)
Net cash provided by (used in) financing activities	36,235	(67,143)	(74,835)	(719,567)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	2,474	(1,329)	(2,897)	(27,856)
<b>Net Increase in Cash and Cash Equivalents</b>	62,426	19,071	13,796	132,654
<b>Cash and Cash Equivalents at Beginning of Year</b>	107,746	170,172	189,243	1,819,644
<b>Cash and Cash Equivalents at End of Year</b>	¥170,172	¥189,243	¥203,039	\$1,952,298
<b>Supplemental Disclosures of Cash Flow Information:</b>				
<b>Cash Paid during the Year for—</b>				
Interest	¥ 9,418	¥ 7,300	¥ 6,479	\$ 62,298
Income taxes	53,129	52,154	66,914	643,404

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 world-wide 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 other products.

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 6 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. Significant accounting and reporting policies are summarized below:

### (a) Basis of Presentation

The accompanying consolidated financial statements for the three years ended March 31, 2004 are presented in Japanese yen, the functional currency of the Company and its domestic subsidiaries. The translation of Japanese yen into U.S. Dollar equivalents for the year ended March 31, 2004 is included solely for the convenience of readers outside Japan and has been made using the exchange rate of ¥104 to US\$1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2004.

The books of the Company and its domestic subsidiaries are maintained in conformity with Japanese accounting principles and practices, while foreign subsidiaries maintain their books in conformity with the standards of their country of domicile.

The accompanying consolidated financial statements reflect necessary adjustments, not recorded in the books, to present them in conformity with accounting principles generally accepted in the United States of America.

### (b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ricoh. Investments in entities in which Ricoh has the ability to exercise significant influence over the entities’ operating and financial policies (generally 20 to 50 percent ownership) are accounted for on an 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 within three months prior to March 31.

### (c) Revenue Recognition

Ricoh generates revenue principally through the sale of equipment, supplies and related services under separate contractual arrangements for each. Generally, Ricoh recognizes revenue when (1) it has a firm contract, (2) the product has been shipped to and accepted by the customer or the service has been provided, (3) the sales price is fixed or determinable and (4) amounts are reasonably assured of collection.

Most equipment sales require that Ricoh install the product. As such, revenue is recognized at the time of delivery and installation at the customer location. Equipment revenues are based on established prices by product type and model and are net of discounts and trade-in allowances. A sales return is accepted only when the equipment is defective and does not meet Ricoh’s product performance specifications. Other than installation, there are no customer acceptance clauses in the sales contract.

Service revenues result primarily from maintenance contracts that are normally entered into at the time the equipment is sold. Standard service fee prices are established depending on equipment classification and include a cost value for the estimated services to be performed based on historical experience plus a profit margin thereon. As a matter of policy, Ricoh does not discount such prices. On a monthly basis, maintenance service revenues are earned and recognized by Ricoh and billed to the customer in accordance with the contract and include a fixed monthly fee plus a variable amount based on usage. The length of the contract ranges up to five-years, however, most contracts are cancelable at any time by the customer upon a short notice period.

Ricoh enters into arrangements with multiple elements, which may include any combination of products, equipment, installment and maintenance. Ricoh allocates revenue to each element based on its relative fair value if such element meets the criteria for treatment as a separate unit of accounting as prescribed in the Emerging Issues Task Force Issue 00-21 (“EITF 00-21”), “Revenue Arrangements with Multiple Deliverables”. Pursuant to EITF 00-21, the delivered item in a multiple element arrangement should be considered a separate unit of accounting if all of the following criteria are met: 1) a delivered item has value to customers on a stand-alone basis, 2) there is objective and reliable evidence of fair value of an undelivered item, and 3) the delivery of the undelivered item must be probable and controlled by Ricoh if the arrangement includes the right of return. The price charged when the element is sold separately generally determines fair value. Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting. EITF 00-21 was effective for revenue arrangements entered into after June 30, 2003. EITF 00-21 did not have a material effect on Ricoh’s financial position or results of operations.

### (d) Foreign Currency Translation

For foreign operations with functional currencies other than the Japanese yen, 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 included as a part of accumulated other comprehensive income (loss) in shareholders’ investment.

All foreign currency transaction gains and losses are included in other income and expense in the period incurred.

### (e) Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase such as time deposits and short-term investment securities which are available-for sale at any time, present insignificant risk of changes in value due to being readily

convertible into cash and have an original maturity of three months or less, such as money management funds and free financial funds.

#### **(f) Derivative Financial Instruments and Hedging Activities**

As discussed further in Note 15, Ricoh manages its exposure to certain market risks, primarily foreign currency and interest rate risks, through the use of derivative instruments. As a matter of policy, Ricoh does not enter into derivative contracts for trading or speculative purposes. On April 1, 2001 Ricoh adopted Statement of Financial Accounting Standards (“SFAS”) No.133 “Accounting for Derivative Instruments and Hedging Activities”, and SFAS No.138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities” which require that all derivative instruments be recorded on the balance sheet at their respective fair values. In accordance with the transition provisions of SFAS 133, Ricoh recorded a cumulative effect adjustment, net of tax, resulting in a decrease in net income of ¥66 million and a decrease in other comprehensive income (loss) of ¥1,864 million at April 1, 2001.

In accordance with SFAS 133, Ricoh, when it enters into a derivative contract, makes a determination as to whether or not for accounting purposes the derivative is part of a hedging relationship. In general, a derivative may be designated as either (1) a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment (“fair value hedge”), (2) a hedge of the variability of the expected cash flows associated with an existing asset or liability or a forecasted transaction (“cash flow hedge”), or (3) a foreign currency fair value or cash flow hedge (“foreign currency hedge”). Ricoh formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value, cash flow, or foreign currency hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions.

For derivative contracts that are designated and qualify as fair value hedges including foreign currency 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 including foreign currency 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 item or transaction affects earnings. Any hedge ineffectiveness on cash flow hedges is immediately recognized in earnings. For all derivative instruments that are not designated as part of a hedging relationship and for designated derivative instruments that do not qualify for hedge accounting, the contracts are recorded at fair value with the gain or loss recognized in current period earnings.

In accordance with the transitional provisions of SFAS 133, gains and losses on qualifying hedges of existing assets or liabilities at April 1, 2001, 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.

#### **(g) Allowance for doubtful trade receivables and finance receivables**

Ricoh records allowances for doubtful receivables that are based upon historical experience and specific customer collection issues. The estimated amount of probable credit losses in its existing receivables is determined from write-off history adjusted to reflect current economic conditions and specific allowances for receivables including nonperforming leases, impaired loans or other accounts of which Ricoh has concluded it will be unable to collect all amounts due according to original terms of the lease or loan agreement. Account balances net of expected recovery from available collateral are charged-off against the allowances when collection is considered remote.

#### **(h) Securities**

Ricoh conforms with SFAS No.115, “Accounting for Certain Investments in Debt and Equity Securities” which requires all investments in debt and marketable equity securities to be classified as either held-to-maturity, trading, or available-for-sale securities. As of March 31, 2003 and 2004, all of Ricoh’s investments in debt and marketable equity securities are classified as available-for-sale securities. Those available-for-sale securities are reported at fair value with unrealized gains and losses, net of related taxes, excluded from earnings and reported in accumulated other comprehensive income (loss). Available-for-sale securities, which mature or are expected to be sold in one year, are classified as current assets.

Individual securities classified as available-for-sale securities are reduced to their then fair value for any declines in market value determined to be other than temporary. These impairment losses are charged against earnings at the time that a decline has been determined to be other than temporary based primarily on the financial condition of the issuer and the extent and length of time of the decline. Investments whose market values have declined below cost that extends for nine months are automatically written-down to their then fair value in all cases.

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

Non-marketable equity securities owned by Ricoh primarily relate to less than 20% owned companies and are stated at cost.

As discussed further in Note 5, Ricoh changed its accounting policy with respect to the recognition of unrealized gains and losses as realized in the statements of income on transfers of marketable equity securities. In relation to this change, Ricoh has recognized in its fiscal 2004 consolidated statement of income a cumulative effect of accounting change, net of tax, of ¥7,373 million (\$70,894 thousand).

#### **(i) Inventories**

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

#### **(j) Property, Plant and Equipment**

For the Company and its domestic subsidiaries, depreciation of property, plant and equipment is computed principally by using the declining-balance method over the estimated useful lives. Most of the foreign subsidiaries have adopted the straight-line method for computing depreciation, which currently accounts for approximately 41% of the consolidated depreciation expense. The depreciation period generally

ranges from 5 years to 50 years for buildings and 2 years to 12 years for machinery and equipment.

Effective rates of depreciation for the years ended March 31, 2002, 2003 and 2004 are summarized below:

	2002	2003	2004
Buildings	8.3%	8.1%	8.1%
Machinery and equipment	40.6	41.0	42.9

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 property, plant and equipment and related accumulated depreciation as of March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Aggregate cost	¥7,339	¥7,151	\$68,760
Accumulated depreciation	4,036	4,504	43,308

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2004 were ¥3,456 million (\$33,231 thousand) and ¥3,141 million (\$30,202 thousand), respectively.

Ordinary maintenance and repairs are charged to expense 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 earnings.

### (k) Goodwill and Other Intangible Assets

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 141 requires the use of only the purchase method of accounting for business combinations and refines the definition of intangible assets acquired in a purchase business combination. SFAS 142 eliminates the amortization of goodwill and instead requires annual impairment testing thereof. SFAS 142 also requires acquired intangible assets with a definite useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS 144. Any acquired intangible asset determined to have an indefinite useful life is not amortized, but instead is tested for impairment based on its fair value until its life would be determined to no longer be indefinite.

Ricoh adopted the provisions of SFAS 141 and SFAS 142 as of April 1, 2002. Goodwill acquired in business combinations completed before July 1, 2001, was amortized until March 31, 2002. In connection with the transitional impairment evaluation, SFAS 142 required Ricoh to perform an assessment of whether there was an indication that goodwill was impaired as of April 1, 2002. To accomplish this, Ricoh (1) identified its reporting units, (2) determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units, and (3) determined the fair value of each reporting unit. Ricoh completed the transitional assessment by September 30, 2002, and determined there was no indication that goodwill had been impaired as of April 1, 2002. Ricoh also completed the annual assessment

for the years ended March 31, 2003 and 2004 and determined that no goodwill impairment charge was necessary.

Prior to the adoption of SFAS 142, Ricoh classified the cost in excess of fair value of the net assets of companies acquired in purchase transactions as goodwill, and the goodwill was being amortized on a straight-line method over the estimated periods benefited, not to exceed 20 years.

### (l) Pension and Retirement Allowances Plans

The measurement of pension costs and liabilities is determined in accordance with SFAS No.87, "Employers' Accounting for Pensions." Under SFAS 87, changes in the amount of either the projected benefit obligation or plan assets resulting from actual results different from that assumed and from changes in assumptions can result in gains and losses not yet recognized in the consolidated financial statements. Amortization of an unrecognized net gain or loss is included as a component of the net periodic benefit plan cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of (1) the projected benefit obligation or (2) the fair value of that plan's assets. In such case, the amount of amortization recognized is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan. The expected long-term rate of return on plan assets used for pension accounting is determined based on the historical long-term rate of return on plan assets. The discount rate is determined based on the rates of return of high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits.

In December 2003, the FASB issued SFAS No.132 (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The Statement retains and revises the disclosure requirements contained in the original SFAS 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The Statement generally is effective for fiscal years ending after December 15, 2003. Ricoh's disclosures in Note 11 incorporate the requirements of SFAS 132 (revised).

### (m) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### (n) Research and Development Expenses and Advertising Costs

Research and development expenses and advertising costs are expensed as incurred.

### (o) 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.

### (p) Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 develops a single accounting model, based on the framework established in SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" for long-lived assets to be disposed of by sale, and broadens the scope of what constitutes a business to be disposed of that should be reported as a discontinued operation. The new standard was adopted on April 1, 2002, and did not have a material effect on Ricoh's consolidated financial position or results of operations.

SFAS 144 requires that long-lived assets and acquired intangible assets with a definite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of assets to be held and used is assessed by comparing the carrying amount of an asset or asset group to the expected future undiscounted net cash flows of the asset or group of assets. If an asset or group of assets is considered to be impaired, the impairment charge to be recognized is measured as the amount by which the carrying amount of the asset or group of assets exceeds fair value. Long-lived assets meeting the criteria to be considered as held for sale are reported at the lower of their carrying amount or fair value less costs to sell.

Prior to the adoption of SFAS 144, Ricoh accounted for long-lived assets in accordance with SFAS 121.

### (q) 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 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.

Ricoh has no dilutive securities outstanding at March 31, 2004 and therefore there is no difference between basic and diluted net income per share.

### (r) Non-cash Transactions

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

	Millions of yen			Thousands of
	2002	2003	2004	U.S. dollars
Conversion of convertible bonds	¥35,620	¥32,905	¥ —	\$ —
Capital lease obligations incurred	445	1,697	75	721
Retirement of treasury stock	—	13,328	—	—
Issuance of treasury stock in exchange for subsidiary's stock	—	—	3,930	37,788
Transfer of marketable equity securities to employee retirement benefit trust	—	—	3,648	35,077

### (s) 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 consolidated financial statements. These are determination of the allowance for doubtful receivables, impairment on long-lived assets and goodwill, realizability of deferred tax assets and pension accounting.

## 3. ACQUISITION

In December 2002, Ricoh acquired the remaining outstanding shares of Shanghai Ricoh Facsimile Co., Ltd. ("Shanghai Ricoh") for ¥1,745 million. The acquisition of the remaining 45% interest in Shanghai Ricoh was accounted for using the purchase method of accounting and resulted in goodwill of ¥778 million.

In April 2003, the Company acquired all of the minority interests of its existing consolidated subsidiary, Tohoku Ricoh Co., Ltd. ("Tohoku Ricoh") through the issuance of 2,010,533 shares of treasury stock in

exchange for all the outstanding shares of Tohoku Ricoh's common stock not then owned by Ricoh. The cost of acquired minority interests was ¥5,579 million (\$53,644 thousand) determined based on the fair value of the treasury shares issued. The Company has used the purchase method of accounting to record the transactions in conformity with SFAS 141 and accordingly, has allocated the purchase price based on estimated fair values of acquired net assets.

## 4. FINANCE RECEIVABLES

Finance receivables as of March 31, 2003 and 2004 are comprised primarily of lease receivables and installment loans.

Ricoh's products are leased to domestic customers primarily through Ricoh Leasing Company, Ltd., a majority-owned domestic subsidiary and to overseas customers primarily through certain overseas subsidiaries. These leases are qualified and are accounted for as sales-type leases in conformity

with SFAS 13. Sales revenue from sales-type leases is recognized at the inception of the leases.

Information pertaining to Ricoh's lease receivables as of March 31, 2003 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Minimum lease payments receivable	¥486,165	<b>¥522,056</b>	<b>\$5,019,769</b>
Estimated non-guaranteed residual value	2,209	<b>2,432</b>	<b>23,385</b>
Unearned income	(49,039)	<b>(47,492)</b>	<b>(456,654)</b>
Allowance for doubtful receivables	(13,573)	<b>(14,404)</b>	<b>(138,500)</b>
Net lease receivables	¥425,762	<b>¥462,592</b>	<b>\$4,448,000</b>

As of March 31, 2004, 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
2005	¥168,931	\$1,624,337
2006	139,060	1,337,115
2007	110,989	1,067,202
2008	69,129	664,702
2009	27,135	260,913
2010 and thereafter	6,812	65,500
Total	¥522,056	\$5,019,769

Ricoh Leasing Company, Ltd. has also extended certain other types of loans as part of its business activity, which are primarily residential housing loans to individuals in Japan secured by the underlying real estate properties. Loan terms range from 15 years to 30 years with monthly repayments. The total balance of these loans, net of allowance for doubtful receivables, as of March 31, 2003 and 2004 was ¥50,531 million and

The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2004 are presented below.

	Millions of yen		Thousands of U.S. dollars
	2004	2004	2004
Carrying value of retained interests (included in lease deposits and other in the consolidated balance sheets)	<b>¥7,226</b>		<b>\$69,481</b>
Expected credit losses:			
+10%	<b>51</b>		<b>490</b>
+20%	<b>102</b>		<b>981</b>
Discount rate:			
+10%	<b>16</b>		<b>154</b>
+20%	<b>32</b>		<b>308</b>

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

¥51,455 million (\$494,760 thousand), respectively. Loan activity for the years ended March 31, 2002, 2003 and 2004 is as follow:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Extension of new loans	¥8,638	¥11,559	<b>¥13,686</b>	<b>\$131,596</b>
Repayment of outstanding loans	7,554	9,993	<b>12,706</b>	<b>122,173</b>

Ricoh sold finance lease receivables with a pretax gain of ¥225 million in the year ended March 31, 2002 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 sold financial assets. The investors and Special Purpose Entities that hold the lease receivables have limited recourse to Ricoh's other assets for failure of debtors to pay. Ricoh recognizes gains or losses attributable to the change in the fair value of the retained interests, which are recorded at estimated fair value and accounted for as "trading" securities. Ricoh determines the value of the retained interests by discounting the future cash flows. Those cash flows are estimated based on credit losses and other information as available and are discounted at a rate which Ricoh believes is commensurate with the risk free rate plus a risk premium.

Key economic assumptions used in measuring the fair value of retained interests related to securitization transactions completed during the years ended March 31, 2003 and 2004 were as follows:

	2003	2004
Expected credit losses	0.75%–1.35%	<b>0.75%–1.35%</b>
Discount rate	0.89%–3.00%	<b>0.90%–3.00%</b>

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, 2002, 2003 and 2004:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Proceeds from new securitization	¥25,000	¥ —	¥ —	\$ —
Servicing fees received	39	37	<b>25</b>	<b>240</b>
Repurchases of delinquent or ineligible assets	5,138	5,750	<b>4,643</b>	<b>44,644</b>

Amounts of delinquencies, net credit losses, and components of all receivables managed and securitized as of March 31, 2003 and 2004, and for the years then ended, are as follows:

	Millions of yen					
	2003			2004		
	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	¥504,252	¥1,175	¥3,893	<b>¥524,981</b>	<b>¥1,025</b>	<b>¥3,284</b>
Less: receivables securitized	(64,917)			<b>(47,985)</b>		
Receivables held in portfolio	¥439,335			<b>¥476,996</b>		

	Thousands of U.S. dollars		
	2004		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	<b>\$5,047,894</b>	<b>\$9,856</b>	<b>\$31,577</b>
Less: receivables securitized	<b>(461,394)</b>		
Receivables held in portfolio	<b>\$4,586,500</b>		

## 5. SECURITIES

Marketable securities and investment securities as of March 31, 2003 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Marketable securities:			
Available-for-sale securities	¥107	<b>¥45,124</b>	<b>\$433,885</b>
Investment securities:			
Available-for-sale securities	¥64,602	<b>¥14,766</b>	<b>\$141,981</b>
Non-marketable equity securities	7,371	<b>7,105</b>	<b>68,317</b>
	¥71,973	<b>¥21,871</b>	<b>\$210,298</b>

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, 2003 and 2004 are as follows:

	Millions of yen							
	2003				2004			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:								
Corporate debt securities	¥ 107	¥ —	¥ —	¥ 107	<b>¥45,139</b>	¥ 6	¥ 22	<b>¥45,123</b>
Other	—	—	—	—	<b>1</b>	—	—	<b>1</b>
	¥ 107	¥ —	¥ —	¥ 107	<b>¥45,140</b>	¥ 6	¥ 22	<b>¥45,124</b>
Noncurrent:								
Equity securities	¥ 6,328	¥5,148	¥ 519	¥10,957	<b>¥ 5,053</b>	<b>¥8,080</b>	¥ 33	<b>¥13,100</b>
Corporate debt securities	45,020	5	195	44,830	—	—	—	—
Other	9,459	10	654	8,815	<b>1,174</b>	<b>492</b>	—	<b>1,666</b>
	¥60,807	¥5,163	¥1,368	¥64,602	<b>¥ 6,227</b>	<b>¥8,572</b>	¥ 33	<b>¥14,766</b>

	Thousands of U.S. dollars			
	2004			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Corporate debt securities	\$434,029	\$ 58	\$ 212	\$433,875
Other	10	—	—	10
	<b>\$434,039</b>	<b>\$ 58</b>	<b>\$ 212</b>	<b>\$433,885</b>
Noncurrent:				
Equity securities	\$ 48,587	\$77,692	\$ 317	\$125,962
Corporate debt securities	—	—	—	—
Other	11,288	4,731	—	16,019
	<b>\$ 59,875</b>	<b>\$82,423</b>	<b>\$ 317</b>	<b>\$141,981</b>

Other non-current securities mainly include investment trusts consisting of investment in marketable debt and equity securities.

Gross unrealized holding losses on available-for-sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2004 were as follows:

	Millions of yen			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
2004:				
Current:				
Available-for-sale:				
Corporate debt securities	¥45,123	¥ 22	¥ —	¥ —
	<b>¥45,123</b>	<b>¥ 22</b>	<b>¥ —</b>	<b>¥ —</b>
Noncurrent:				
Available-for-sale:				
Equity securities	¥13,100	¥ 33	¥ —	¥ —
	<b>¥13,100</b>	<b>¥ 33</b>	<b>¥ —</b>	<b>¥ —</b>

	Thousands of U.S. Dollars			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
2004:				
Current:				
Available-for-sale:				
Corporate debt securities	\$433,875	\$ 212	\$ —	\$ —
	<b>\$433,875</b>	<b>\$ 212</b>	<b>\$ —</b>	<b>\$ —</b>
Noncurrent:				
Available-for-sale:				
Equity securities	\$125,962	\$ 317	\$ —	\$ —
	<b>\$125,962</b>	<b>\$ 317</b>	<b>\$ —</b>	<b>\$ —</b>

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2004, 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	¥45,139	¥45,123	\$434,029	\$433,875

Proceeds from the sales of available-for-sale securities were ¥24,568 million, ¥24,513 million and ¥45,464 million (\$437,154 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

There were no significant realized gains or losses of available-for-sale securities for the three years ended March 31, 2004 except for the following contributed marketable equity securities to the Company's employee benefit trust. The loss on securities of ¥2,260 million for the year ended March 31, 2003 was charged to other expense for declines in market value of available-for-sale securities where the decline was determined to be other than temporary.

In March 2000, the Company contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, to its employee retirement benefit trust (the "Trust") fully administered and controlled by an independent bank trustee, with no cash proceeds thereon (the "2000 Transfer"). The 2000 Transfer of the available-for-sale securities was accounted for as a sale in accordance with SFAS No.125, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities" 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 transfer was ¥20,760 million. The net unrealized gains on these available-for-sale securities amounting to ¥13,095 million were initially included in "Accumulated other comprehensive income (loss)" on the consolidated balance sheets with the expectation of being reflected in realized gains in the statements of income upon the future sale of the transferred securities by the trustee.

In March 2004, the Company contributed certain additional marketable equity securities, not including those of its subsidiaries and affiliated companies to the Trust, with no cash proceeds thereon (the "2004 Transfer"). The fair value and net unrealized gains on these available-for-sale securities at the time of transfer was ¥3,648 million (\$35,077 thousand) and ¥2,658 million (\$25,558 thousand), respectively.

In connection with the 2004 Transfer, Ricoh has changed its accounting policy with respect to the recognition of unrealized gains and losses as realized in the statements of income on transfers of such marketable equity securities. Ricoh has concluded that it is preferable to recognize in the statements of income unrealized gains or losses associated with marketable equity securities transferred to the Trust when Ricoh has effectively given up the economic rewards of ownership, that is, when the assets are no longer considered corporate assets and when the Trust has the irrevocable and unrestricted right to realize those benefits as and when it chooses. This generally occurs at the time the assets are transferred to the Trust and not upon future sale of the assets by the trustee.

Accordingly, Ricoh has recognized realized gains in the consolidated statement of income on the transfer of marketable equity securities to the Trust for fiscal 2004 of ¥2,658 million (\$25,558 thousand). In addition, Ricoh has recognized in its fiscal 2004 consolidated statement of income a cumulative effect of accounting change, net of tax, of ¥7,373 million (\$70,894 thousand) associated with the 2000 Transfer.

## 6. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The investments in and advances to affiliates primarily relate to 20% to 50% owned companies. Included in these companies is COCA-COLA WEST JAPAN COMPANY, LIMITED, a 21.8% owned 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 ¥36,728 million (\$353,154 thousand) as of March 31, 2004. The quoted market value of Ricoh's investment in this company was ¥45,900 million (\$441,346 thousand) as of March 31, 2004.

Ricoh's equity in the underlying net book values of the other 20% to 50% owned companies is approximately equal to their individual carrying values.

Summarized financial information for all affiliates as of March 31, 2003 and 2004 and for the years ended March 31, 2002, 2003 and 2004 is as follows:

### Financial Position

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Assets—			
Current assets	¥124,156	<b>¥104,916</b>	<b>\$1,008,808</b>
Other assets	139,357	<b>155,081</b>	<b>1,491,163</b>
	¥263,513	<b>¥259,997</b>	<b>\$2,499,971</b>
Liabilities and shareholders' investment—			
Current liabilities	¥ 40,954	<b>¥ 37,954</b>	<b>\$ 364,942</b>
Other liabilities	13,176	<b>12,170</b>	<b>117,019</b>
Shareholders' investment	209,383	<b>209,873</b>	<b>2,018,010</b>
	¥263,513	<b>¥259,997</b>	<b>\$2,499,971</b>

### Operations

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Sales	¥288,992	¥338,035	<b>¥317,512</b>	<b>\$3,053,000</b>
Costs and expenses	277,950	327,139	<b>307,665</b>	<b>2,958,317</b>
Net income	¥ 11,042	¥ 10,896	<b>¥ 9,847</b>	<b>\$ 94,683</b>

The significant transactions of Ricoh with these affiliates for the years ended March 31, 2002, 2003 and 2004, and the related account balances at March 31, 2003 and 2004 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars	
	2002	2003	2004	2003	2004
Transactions—					
Sales	¥25,413	¥26,510	<b>¥19,534</b>	<b>\$187,827</b>	
Purchases	15,584	19,808	<b>18,714</b>	<b>179,942</b>	
Dividend income	1,133	1,236	<b>1,064</b>	<b>10,231</b>	

Unrealized profits regarding the above transactions were eliminated in the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Account balances—			
Receivables	¥6,434	<b>¥3,530</b>	<b>\$33,942</b>
Payables	1,604	<b>2,217</b>	<b>21,317</b>

As of March 31, 2004, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥41,070 million (\$394,904 thousand).

## 7. GOODWILL AND OTHER INTANGIBLE ASSETS

The information for intangible assets subject to amortization and for intangible assets not subject to amortization is as follows:

	Millions of yen					
	2003			2004		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization						
Software	¥31,764	¥(12,763)	¥19,001	<b>¥44,844</b>	<b>¥(20,286)</b>	<b>¥24,558</b>
Trade name and customer base	13,463	(3,217)	10,246	<b>12,699</b>	<b>(4,382)</b>	<b>8,317</b>
Other	13,633	(4,192)	9,441	<b>13,733</b>	<b>(4,802)</b>	<b>8,931</b>
Total	58,860	(20,172)	38,688	<b>71,276</b>	<b>(29,470)</b>	<b>41,806</b>
Other intangible assets not subject to amortization			1,332			<b>1,427</b>
Total other intangible assets			¥40,020			<b>¥43,233</b>

	Thousands of U.S. dollars		
	2004		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization			
Software	<b>\$431,192</b>	<b>\$(195,057)</b>	<b>\$236,135</b>
Trade name and customer base	<b>122,106</b>	<b>(42,135)</b>	<b>79,971</b>
Other	<b>132,048</b>	<b>(46,173)</b>	<b>85,875</b>
Total	<b>685,346</b>	<b>(283,365)</b>	<b>401,981</b>
Other intangible assets not subject to amortization			<b>13,721</b>
Total other intangible assets			<b>\$415,702</b>

Gross carrying amount of software was increased for the year ended March 31, 2004 mainly due to back-office information systems development.

The aggregate amortization expense of other intangible assets subject to amortization for the year ended March 31, 2003 and 2004 were ¥6,993 million and ¥9,284 million (\$89,269 thousand). The future amortization expense for each of the five years relating to intangible assets currently recorded in the consolidated balance sheets is estimated to be the following at March 31, 2004:

	Millions of yen	Thousands of U.S. dollars
2005	¥11,369	\$109,317
2006	8,556	82,269
2007	5,919	56,913
2008	4,174	40,135
2009	2,632	25,308

The changes in the carrying amounts of goodwill for the year ended March 31, 2003 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Balance at beginning of year	¥29,687	¥28,109	\$270,279
Goodwill acquired during the year	1,176	383	3,683
Foreign exchange impact	(2,754)	(3,194)	(30,712)
Balance at end of year	¥28,109	¥25,298	\$243,250

As of March 31, 2004, all carrying value of goodwill was allocated to office equipment segment.

The following table reconciles previously reported net income and net income per share for the year ended March 31, 2002, as if the provisions of SFAS 142 had been in effect.

	Millions of yen
	2002
Net income	
Reported net income	¥61,614
Goodwill amortization	2,514
Adjusted net income	64,128
	Yen
	2002
Net income per share	
Reported net income per share—basic	¥ 88.27
Goodwill amortization	3.60
Adjusted net income per share—basic	91.87
Reported net income per share—diluted	82.46
Goodwill amortization	3.34
Adjusted net income per share—diluted	85.80

## 8. INCOME TAXES

Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change and provision for income taxes for the years ended March 31, 2002, 2003 and 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change				
Domestic	¥95,723	¥ 84,946	¥ 98,162	\$ 943,865
Foreign	18,227	38,524	44,901	431,741
	¥113,950	¥123,470	¥143,063	\$1,375,606
Provision for income taxes—				
Current:				
Domestic	¥43,564	¥ 50,103	¥ 38,908	\$ 374,115
Foreign	8,801	13,080	14,395	138,414
	52,365	63,183	53,303	512,529
Deferred:				
Domestic	(3,524)	(9,043)	1,951	18,760
Foreign	2,306	(2,156)	1,387	13,336
	(1,218)	(11,199)	3,338	32,096
Consolidated provision for income taxes	¥51,147	¥ 51,984	¥ 56,641	\$ 544,625

Total income taxes are allocated as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Provision for income taxes	¥51,147	¥51,984	¥56,641	\$ 544,625
Shareholders' investment:				
Foreign currency translation adjustments	2,062	(826)	(1,334)	(12,827)
Unrealized gains (losses) on securities	(582)	(1,130)	(3,617)	(34,779)
Unrealized losses on derivatives	(146)	(9)	109	1,048
Minimum pension liability adjustment	(11,760)	(30,811)	49,733	478,202
Cumulative effect of accounting change	—	—	5,722	55,019
	¥40,721	¥19,208	¥107,254	\$1,031,288

The Company and its domestic subsidiaries are subject to a National Corporate tax of 30%, an inhabitant tax of approximately 6% and a deductible Enterprise tax approximately 10%, which in the aggregate resulted in the normal statutory tax rate of approximately 42%. The normal statutory tax rate differs from the effective tax rate for the years ended March 31, 2002, 2003 and 2004 as a result of the following:

	2002	2003	2004
Normal statutory tax rate	42%	42%	42%
Nondeductible expenses	1	1	1
Tax benefits not recognized on operating losses of certain consolidated subsidiaries	3	3	2
Utilization of net operating loss carryforward not previously recognized	(0)	(4)	(1)
Tax credit for increased research and development expense	(0)	(1)	(3)
Effect of change in enacted tax rate	—	2	1
Other, net	(1)	(1)	(2)
Effective tax rate	45%	42%	40%

Nondeductible expenses include directors' bonuses and entertainment expenses.

Based on an enacted change in the Japanese tax laws in March, 2003, the normal statutory tax rate was reduced to approximately 40% effective April 1, 2004, and such rate has been used in calculating the future expected tax effects of temporary differences and carryforwards expected to be settled or realized on or after April 1, 2004.

The tax effects of temporary differences and carryforwards giving rise to the consolidated deferred income tax assets and liabilities as of March 31, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Assets:			
Accrued expenses	¥ 26,184	¥ 22,165	\$ 213,125
Property, plant and equipment	4,014	3,316	31,884
Accrued pension and severance costs	84,230	31,372	301,654
Net operating losses carryforward	13,839	10,778	103,635
Other	31,460	29,655	285,144
	159,727	97,286	935,442
Less—Valuation allowance	(9,193)	(9,010)	(86,634)
	¥ 150,534	¥ 88,276	\$ 848,808
Liabilities:			
Sales-type leases	¥ (7,112)	¥ (6,853)	\$ (65,894)
Undistributed earnings of foreign subsidiaries and affiliates	(12,801)	(15,602)	(150,019)
Net unrealized holding gains on available-for-sale securities	(8,957)	(4,390)	(42,212)
Other	(11,361)	(9,969)	(95,856)
	¥ (40,231)	¥ (36,814)	\$ (353,981)
Net deferred tax assets	¥ 110,303	¥ 51,462	\$ 494,827

Net deferred tax assets as of March 31, 2003 and 2004 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred income taxes and other (Current Assets)	¥ 41,993	¥ 41,213	\$ 396,279
Lease deposits and other (Non-Current Assets)	99,204	47,122	453,096
Accrued expenses and other (Current Liabilities)	(241)	(578)	(5,558)
Deferred income taxes (Long-Term Liabilities)	(30,653)	(36,295)	(348,990)
	¥ 110,303	¥ 51,462	\$ 494,827

The net changes in the total valuation allowance for the years ended March 31, 2002, 2003 and 2004 was an increase of ¥2,897 million, decreases of ¥2,107 million and ¥183 million (\$1,760 thousand), respectively. The valuation allowance primarily relates to valuation allowance for deferred tax assets associated with net operating loss carryforwards incurred by certain subsidiaries. Ricoh has performed an analysis for each of these subsidiaries to assess their ability to realize such deferred tax assets, taking into consideration projections for future taxable income, historical performance, tax planning strategies market conditions and other factors, as appropriate. Considering these factors, management believes it is more likely than not that these subsidiaries will realize their respective deferred tax assets (principally net operating loss carry forwards) net of existing valuation allowance.

In assessing the realizability of deferred tax assets, Ricoh considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods

in which those temporary differences become deductible. Ricoh considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Ricoh believes it is more likely than not that the benefits of these deductible differences, net of the existing valuation allowance will be realized. The amount of the deferred tax asset considered realizable, however, would be reduced if estimates of future taxable income during the carryforward period are reduced.

As of March 31, 2004, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥28,155 million (\$270,721 thousand) which were available to reduce future income taxes, if any. Approximately ¥19,417 million (\$186,702 thousand) of the operating losses expire within a five-year period while the remainder principally have an indefinite carryforward period.

## 9. SHORT-TERM BORROWINGS

Short-term borrowings as of March 31, 2003 and 2004 consist of the following:

	Weighted average interest rate		Millions of yen		Thousands of U.S. dollars
	2003	2004	2003	2004	2004
Borrowings, principally from banks	1.8%	<b>1.7%</b>	¥28,258	<b>¥19,359</b>	<b>\$186,144</b>
Commercial paper	0.9	<b>0.8</b>	56,220	<b>49,593</b>	<b>476,856</b>
			¥84,478	<b>¥68,952</b>	<b>\$663,000</b>

The Company and certain of its subsidiaries enter into the contracts with financial institutions regarding lines of credit and overdrawing. Those same financial institution hold the issuing programs of commercial paper and medium-term notes. Unused lines of credit amounted to ¥613,884 million and ¥634,273 million (\$6,098,779 thousand) as of March 31, 2003 and

2004, respectively, of which ¥234,704 million and ¥182,764 million (\$1,757,346 thousand) related to commercial paper and ¥144,280 million and ¥131,966 million (\$1,268,904 thousand) related to medium-term notes programs at prevailing interest rates.

## 10. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2003 and 2004 consists of the followings:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Bonds—			
2.075%, straight bonds, payable in yen, due April 2005	¥40,000	<b>¥40,000</b>	<b>\$384,615</b>
0.87%, straight bonds, payable in yen, due March 2007	35,000	<b>35,000</b>	<b>336,538</b>
1.34%, straight bonds, payable in yen, due March 2009	25,000	<b>25,000</b>	<b>240,385</b>
0.9%, straight bonds, payable in yen, due June 2003 issued by a consolidated subsidiary	5,000	—	—
1.1%, straight bonds, payable in yen, due February 2004 issued by a consolidated subsidiary	9,910	—	—
1.17%, straight bonds, payable in yen, due June 2004 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>96,154</b>
0.73%, straight bonds, payable in yen, due June 2006 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>96,154</b>
0.7%, straight bonds, payable in yen, due June 2007 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>96,154</b>
2.1%, straight bonds, payable in yen, due October 2009 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>96,154</b>
Medium-term notes, 0.28% weighted average, due through 2015 issued by a consolidated subsidiary	24,000	<b>16,000</b>	<b>153,846</b>
Total bonds	178,910	<b>156,000</b>	<b>1,500,000</b>
Unsecured loans—			
Banks and insurance companies, 1.42% weighted average, due through 2011	210,042	<b>200,361</b>	<b>1,926,548</b>
Secured loans—			
Banks, insurance companies and other financial institution, 1.25% weighted average, due through 2013	2,553	<b>1,410</b>	<b>13,558</b>
Capital lease obligations (see Note 2 (j))	4,237	<b>3,141</b>	<b>30,202</b>
Total	395,742	<b>360,912</b>	<b>3,470,308</b>
SFAS No. 133 fair value adjustment	4,395	<b>2,868</b>	<b>27,577</b>
Less—Current maturities included in current liabilities	(54,235)	<b>(82,210)</b>	<b>(790,481)</b>
	¥345,902	<b>¥281,570</b>	<b>\$2,707,404</b>

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥3,468 million (\$33,346 thousand) as of March 31, 2004.

All bonds outstanding as of March 31, 2004 are redeemable at the option of Ricoh at 100% of the principal amounts under certain conditions as provided in the applicable agreements.

Bonds are subject to certain covenants such as restrictions on certain additional secured indebtedness, as defined in the agreements. Ricoh presently is in compliance with such covenants as of March 31, 2004.

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 presentation to the shareholders. The Company has never been requested to submit such proposals for approval. In addition, as is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things,

that the banks may request additional security for these loans if there is reasonable and probable cause and may treat any security furnished to the banks as well as cash deposited as security for all present and future indebtedness. The Company has never been requested to submit such additional security.

The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2004 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2005	<b>¥ 81,943</b>	<b>\$ 787,914</b>
2006	<b>130,745</b>	<b>1,257,164</b>
2007	<b>71,036</b>	<b>683,038</b>
2008	<b>29,887</b>	<b>287,375</b>
2009	<b>26,169</b>	<b>251,625</b>
2010 and thereafter	<b>21,132</b>	<b>203,192</b>
Total	<b>¥360,912</b>	<b>\$3,470,308</b>

## 11. PENSION AND RETIREMENT ALLOWANCE PLANS

The Company and certain of its subsidiaries have various trusted contributory and noncontributory employees' pension fund 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 employee's pension fund ("EPF") plan, the government mandated welfare pension insurance benefit was included and commingled with the primary corporate benefit provided by Ricoh. These contributory and non contributory plans are funded in conformity with governmental regulations which basically require an employer to contribute the unfunded benefit over 20 years.

As noted above, the domestic EPF plan was composed of (1) a corporate defined benefit portion established by Ricoh and (2) a substitutional portion based on benefits prescribed by the government (similar to social security benefits in the United States). Ricoh had been exempted from contributing to the Japanese Pension Insurance ("JPI") program that would otherwise have been required if it had not elected to fund the government substitutional portion of the benefit through an EPF arrangement. The plan assets of the EPF were invested and managed as a single portfolio for the entire EPF and were not separately attributed to the substitutional and corporate portions. In June 2001, Contributed Benefit Pension Plan Law was newly enacted and permits an employer to elect to transfer the entire substitutional portion benefit obligation from the EPF to the government together with a specified amount of plan assets pursuant to a government formula. After such transfer, the employer would be required to make periodic contributions to JPI, and the Japanese government would be responsible for all benefit payments. The corporate portion of the EPF would continue to exist exclusively as a corporate defined benefit pension plan.

Pursuant to the new law, Ricoh received an approval of exemption from the Minister of Health, Labor and Welfare, effective January 1, 2003, from the obligation for benefits related to future employee service with respect to the substitutional portion of its EPF. Ricoh received government approval of

exemption from the obligation for benefits related to past employee service in January 2004 with respect to the substitutional portion of its domestic contributory plan. The transfer to the government was completed on March 16, 2004.

Ricoh accounted for the transfer in accordance with EITF Issue No. 03-2 "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities" ("EITF 03-2"). As specified in EITF 03-2, the entire separation process is to be accounted for at the time of completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as a settlement in accordance with SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits". As a result of the transfer, Ricoh recognized as a subsidy from the Japanese government equal to the difference between the fair value of the obligation deemed "settled" with the Japanese government and the assets required to be transferred to the government. The subsidy that Ricoh recognized amounted to ¥ 56,972 million (\$547,808 thousand). In addition, Ricoh recognized as a settlement loss equal to the amount calculated as the ratio of the obligation settled to the total EPF obligation immediately prior to settlement, both of which exclude the effect of future salary progression relating to the substitutional portion, times the net unrecognized gain/loss immediately prior to settlement, which amounted to ¥48,657 million (\$467,856 thousand). These gain and loss were included in operating income.

In addition to EPF plan, the Company had maintained a defined benefit plan for certain qualified employees. Effective January 1, 2004, the Company liquidated this plan and recorded a settlement loss of ¥5,958 million (\$57,288 thousand) which was included in selling, general and administrative expenses in the consolidated statement of income.

The changes in the benefit obligation and plan assets of the pension plans for the years ended March 31, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 452,562	¥ 522,275	\$ 5,021,875
Service cost	16,943	15,694	150,904
Interest cost	14,292	12,719	122,298
Plan participants' contributions	1,105	171	1,644
Amendments	(10,924)	(53,563)	(515,029)
Actuarial loss (benefit)	64,852	(7,420)	(71,346)
Settlement	(2,009)	(164,522)	(1,581,943)
Benefits paid	(13,197)	(15,378)	(147,865)
Foreign exchange impact	(1,349)	(1,972)	(18,961)
Benefit obligation at end of year	¥ 522,275	¥ 308,004	\$ 2,961,577

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 268,377	¥ 235,346	\$ 2,262,942
Actual return on plan assets	(36,838)	43,980	422,885
Employer contribution	14,281	16,472	158,385
Plan participants' contributions	1,105	171	1,644
Settlement	(1,636)	(72,812)	(700,115)
Benefits paid	(9,246)	(10,960)	(105,385)
Foreign exchange impact	(697)	(1,221)	(11,741)
Fair value of plan assets at end of year	¥ 235,346	¥ 210,976	\$ 2,028,615
Funded status			
Unrecognized net actuarial loss	¥(286,929)	¥ (97,028)	\$ (932,962)
Unrecognized prior service cost	245,632	111,528	1,072,385
Unrecognized net asset at transition, net of amortization	(10,081)	(61,599)	(592,298)
Unrecognized net asset at transition, net of amortization	(2,414)	(1,435)	(13,798)
Net amount recognized	¥ (53,792)	¥ (48,534)	\$ (466,673)
Amounts recognized in the balance sheets consist of:			
Prepaid benefit cost	¥ 61	¥ —	\$ —
Accrued benefit liability	(207,948)	(78,851)	(758,183)
Intangible assets	199	92	885
Accumulated other comprehensive income, gross of tax	153,896	30,225	290,625
Net amount recognized	¥ (53,792)	¥ (48,534)	\$ (466,673)
Accumulated benefit obligations	¥ 444,477	¥ 283,548	\$ 2,726,423

Weighted-average assumptions used to determine benefit obligations at March 31, 2003 and 2004 were as follows:

	2003	2004
Discount rate	2.6%	2.9%
Rate of compensation increase	3.4%	3.4%

Weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	2004
Discount rate	2.9%	3.3%	2.6%
Rate of compensation increase	3.2%	3.4%	3.4%
Expected long-term return on plan assets	4.8%	3.6%	2.5%

The net periodic benefit costs of the pension plans for the three years ended March 31, 2004 consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Service costs	¥15,636	¥16,943	¥15,694	\$150,904
Interest costs	13,693	14,292	12,719	122,298
Expected return on plan assets	(13,031)	(9,763)	(5,872)	(56,462)
Net amortization	4,707	5,081	10,805	103,894
Settlement loss (benefit)	183	(35)	(2,537)	(24,394)
Total net periodic pension cost	¥21,188	¥26,518	¥30,809	\$296,240

In accordance with the provisions of SFAS 87, Ricoh has recorded an adjustment for minimum pension liability at March 31, 2003 and 2004. This liability represents the excess of the accumulated benefit obligations over the fair value of plan assets and severance costs already recognized before recording the minimum pension liability. This excess is primarily attributable to a substantial reduction in the discount rate used in pension calculation and loss on plan assets. A corresponding amount was recognized as an intangible asset to the extent of the unrecognized prior

service cost, and the balance was recorded as a component of accumulated other comprehensive income (loss), net of tax.

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 ¥453,956 million, ¥387,481 million and ¥218,058 million, respectively, as of March 31, 2003 and ¥240,470 million (\$2,312,212 thousand), ¥229,387 million (\$2,205,644 thousand) and ¥194,654 million (\$1,871,673 thousand), respectively, as of March 31, 2004.

Ricoh's domestic benefit plan asset allocation at March 31, 2003 and 2004 are as follows:

	2003	2004
Equity securities	55.6%	<b>52.8%</b>
Debt securities	24.5%	<b>2.4%</b>
Life insurance company general accounts	17.9%	<b>20.0%</b>
Other	2.0%	<b>24.8%</b>
Total	100.0%	<b>100.0%</b>

The total fair value of plan assets for domestic plan as of March 31, 2004 was ¥159,989 million (\$1,538,356 thousand).

Common stock and bonds of the Company and certain of its domestic subsidiaries included in plan asset was immaterial at March 31, 2003 and 2004.

Ricoh's investment policies and strategies for the pension benefits do not use target allocations for the individual asset categories. Ricoh's investment goals are to maximize returns subject to specific risk management policies. Its risk management policies permit investments in mutual funds and debt and equity securities and prohibit direct investment in derivative financial instruments. Ricoh addresses diversification by the use of mutual fund investments whose underlying investments are in domestic and international fixed income securities and domestic and international equity securities. These mutual funds are readily marketable

and can be sold to fund benefit payment obligations as they become payable.

As discussed in Note 5, Ricoh contributed certain marketable equity securities to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets under SFAS 87.

Ricoh uses a December 31 measurement date for the domestic pension plan.

Ricoh expects to contribute ¥8,240 million (\$79,231 thousand) to the domestic pension plan in 2004.

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

## 12. SHAREHOLDERS' INVESTMENT

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the Company and its domestic subsidiaries be appropriated as a legal reserve. No further appropriation is required when the total amount of the legal reserve and additional paid-in capital equals 25% of common stock. Legal reserves included in retained earnings as of March 31, 2003 and 2004 were ¥16,903 million and ¥16,894 million (\$162,442 thousand), respectively, and are restricted from being used as dividends.

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 25, 2004, the shareholders will be asked to approve the declaration of a cash dividend (¥10 per share) on the common stock totaling ¥7,389 million (\$71,048 thousand), which will be paid to shareholders of record as of March 31, 2004. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2004.

The Japanese Commercial Code provides that at least one-half of the proceeds from shares issued is included in common stock. In conformity

therewith, the Company has divided the principal amount of bonds converted into common stock between common stock and additional paid-in capital.

The amount of retained earnings legally available for dividend distribution is that recorded in the Company's non-consolidated books and amounted to ¥308,412 million (\$2,965,500 thousand) as of March 31, 2004.

The Japanese Commercial Code allows the Company to purchase treasury stock for any reason at any time by the resolution of the Board of Directors. On June 27, 2002, the shareholders of the Company approved to purchase treasury stock up to 8 million shares for a maximum total cost of ¥20,000 million during the period up to the resolution of next Ordinary General Shareholders' Meeting which was held on June 26, 2003. In accordance with this approval, the Company repurchased 8 million shares and retired 7 million shares during the year ended March 31, 2003. The retirement of common stock reduced retained earnings during the year ended March 31, 2003 by ¥13,328 million.

### 13. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of yen		
	Before-tax amount	Tax expense	Net-of-tax amount
<b>2002:</b>			
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)	¥ 10,426	¥ (10,588)
<b>2003:</b>			
Foreign currency translation adjustments	¥ 181	¥ 826	¥ 1,007
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(5,348)	2,065	(3,283)
Less—Reclassification adjustment for (gains) losses realized in net income	2,234	(935)	1,299
Net unrealized gains (losses)	(3,114)	1,130	(1,984)
Unrealized losses on derivatives:			
Unrealized holding gains (losses) arising during the year	(634)	277	(357)
Less—Reclassification adjustment for (gains) losses realized in net income	654	(268)	386
Net unrealized gains (losses)	20	9	29
Minimum pension liability adjustment	(80,220)	30,811	(49,409)
Other comprehensive income (loss)	¥(83,133)	¥32,776	¥ (50,357)
<b>2004:</b>			
Foreign currency translation adjustments	¥ (6,727)	¥ 1,334	¥ (5,393)
Unrealized gains (losses) on securities:			
Cumulative effect of accounting change	(13,095)	5,722	(7,373)
Unrealized holding gains (losses) arising during the year	7,688	(3,227)	4,461
Less—Reclassification adjustment for (gains) losses realized in net income	(2,766)	1,122	(1,644)
Net unrealized gains (losses)	(8,173)	3,617	(4,556)
Unrealized losses on derivatives:			
Unrealized holding gains (losses) arising during the year	(105)	42	(63)
Less—Reclassification adjustment for (gains) losses realized in net income	368	(151)	217
Net unrealized gains (losses)	263	(109)	154
Minimum pension liability adjustment	123,989	(49,733)	74,256
Other comprehensive income (loss)	¥109,352	¥(44,891)	¥ 64,461

	Thousands of U.S. dollars		
	Before-tax amount	Tax expense	Net-of-tax amount
<b>2004:</b>			
Foreign currency translation adjustments	\$ (64,683)	\$ 12,827	\$ (51,856)
Unrealized gains (losses) on securities:			
Cumulative effect of accounting change	(125,913)	55,019	(70,894)
Unrealized holding gains (losses) arising during the year	73,923	(31,029)	42,894
Less—Reclassification adjustment for (gains) losses realized in net income	(26,596)	10,788	(15,808)
Net unrealized gains (losses)	(78,587)	34,779	(43,808)
Unrealized losses on derivatives:			
Unrealized holding gains (losses) arising during the year	(1,010)	404	(606)
Less—Reclassification adjustment for (gains) losses realized in net income	3,539	(1,452)	2,087
Net unrealized gains (losses)	2,529	(1,048)	1,481
Minimum pension liability adjustment	1,192,202	(478,202)	714,000
Other comprehensive income (loss)	\$1,051,461	\$(431,644)	\$ 619,817

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)
<b>2002:</b>					
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)
<b>2003:</b>					
Beginning balance	¥ (15,025)	¥ 10,566	¥ (207)	¥ (39,710)	¥ (44,376)
Change during the year	1,007	(1,984)	29	(49,409)	(50,357)
Ending balance	¥ (14,018)	¥ 8,582	¥ (178)	¥ (89,119)	¥ (94,733)
<b>2004:</b>					
Beginning balance	¥ (14,018)	¥ 8,582	¥ (178)	¥ (89,119)	¥ (94,733)
Cumulative effect of accounting change	—	(7,373)	—	—	(7,373)
Change during the year	(5,393)	2,817	154	74,256	71,834
Ending balance	¥ (19,411)	¥ 4,026	¥ (24)	¥ (14,863)	¥ (30,272)

	Thousands of U.S. dollars				
<b>2004:</b>					
Beginning balance	\$(134,788)	\$ 82,519	\$ (1,712)	\$(856,913)	\$(910,894)
Cumulative effect of accounting change	—	(70,894)	—	—	(70,894)
Change during the year	(51,856)	27,086	1,481	714,000	690,711
Ending balance	\$(186,644)	\$ 38,711	\$ (231)	\$(142,913)	\$(291,077)

## 14. PER SHARE DATA

Dividends per share shown in the consolidated statements of income are computed based on dividends paid for the year.

A reconciliation of the numerator and the denominators of the basic and diluted per share computations for income before cumulative effect of accounting change, cumulative effect of accounting change, net of tax and net income is as follows:

	Thousands of shares			
	2002	2003	2004	
Weighted average common shares outstanding	698,025	726,660	<b>742,293</b>	
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	997	—	—	
1.5%, payable in yen, due March 2002	28,195	—	—	
0.35%, payable in yen, due March 2003	24,699	23,250	—	
Diluted common shares outstanding	751,916	749,910	<b>742,293</b>	

  

	Millions of yen			Thousands of
	2002	2003	2004	U.S. dollars
Income before cumulative effect of accounting change applicable to common shareholders	¥61,614	¥72,513	<b>¥84,393</b>	<b>\$811,471</b>
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	10	—	—	—
1.5%, payable in yen, due March 2002	258	—	—	—
0.35%, payable in yen, due March 2003	119	86	—	—
Diluted income before cumulative effect of accounting change	¥62,001	¥72,599	<b>¥84,393</b>	<b>\$811,471</b>
Cumulative effect of accounting change, net of tax	¥ —	¥ —	<b>¥ 7,373</b>	<b>\$ 70,894</b>
Net income applicable to common shareholders	¥61,614	¥72,513	<b>¥91,766</b>	<b>\$882,365</b>
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	10	—	—	—
1.5%, payable in yen, due March 2002	258	—	—	—
0.35%, payable in yen, due March 2003	119	86	—	—
Diluted net income	¥62,001	¥72,599	<b>¥91,766</b>	<b>\$882,365</b>

  

	Yen			U.S. dollars
	2002	2003	2004	2004
Earnings per share:				
Basic				
Income before cumulative effect of accounting change	¥88.27	¥99.79	<b>¥113.69</b>	<b>\$1.09</b>
Cumulative effect of accounting change, net of tax	—	—	<b>9.94</b>	<b>0.10</b>
Net income	88.27	99.79	<b>123.63</b>	<b>1.19</b>
Diluted:				
Income before cumulative effect of accounting change	82.46	96.81	<b>113.69</b>	<b>1.09</b>
Cumulative effect of accounting change, net of tax	—	—	<b>9.94</b>	<b>0.10</b>
Net income	82.46	96.81	<b>123.63</b>	<b>1.19</b>

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## 15. DERIVATIVE FINANCIAL INSTRUMENTS

### Risk Management Policy

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

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

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 satisfactory credit ratings. Ricoh utilizes a number of counterparties to minimize the concentration of credit risk.

### Foreign Exchange Risk Management

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.

### Interest Rate Risk Management

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

### Fair Value Hedges

Changes in the fair value of derivative instruments and the related hedged items designated and qualifying 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 years ended March 31, 2002, 2003 and 2004 as the critical terms of the interest rate swap match the terms of the hedged debt obligations.

### Cash Flow Hedges

Changes in the fair value of derivative instruments designated and qualifying 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 years ended March 31, 2002, 2003 and 2004 as the critical terms of the interest rate swap match the terms of the hedged debt obligations. Ricoh expects that it will reclassify into earnings through other (income) expenses during the next 12 months approximately ¥12 million (\$115 thousand) of the balance of accumulated other comprehensive loss as of March 31, 2004.

### Undesignated Derivative Instruments

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 statement of income.

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## 16. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2004, Ricoh had outstanding contractual commitments for acquisition or construction of plant, equipment and other assets aggregating ¥895 million (\$8,606 thousand).

As of March 31, 2004, Ricoh was also contingently liable as guarantor for employees' housing loans of ¥283 million (\$2,721 thousand), all of which were issued before January 1, 2003.

Ricoh made rental payments totaling ¥46,426 million, ¥50,218 million and ¥51,723 million (\$497,337 thousand) for the years ended March 31,

2002, 2003 and 2004, respectively, under operating lease agreements for office space and machinery and equipment, which are primarily cancelable and renewable.

As of March 31, 2004, 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.

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## 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) Installment loans

The fair value of installment loans is based on the present value of future cash flows using the current rate for similar instruments of comparable maturity.

### (d) 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.

**(e) Interest rate swap agreements**

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

The estimated fair value of the financial instruments as of March 31, 2003 and 2004 is summarized as follows:

**(f) Foreign currency contracts and Foreign currency options**

The fair value of foreign currency contracts and foreign currency options is estimated by obtaining quotes from brokers.

	Millions of yen				Thousands of U.S. dollars	
	2003		2004		2004	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Marketable securities and Investment securities	¥ 72,080	¥ 72,080	¥ 66,995	¥ 66,995	\$ 644,183	\$ 644,183
Installment loans	50,531	50,783	51,455	51,626	494,760	496,404
Long-term indebtedness	(345,902)	(351,305)	(281,570)	(284,528)	(2,707,404)	(2,735,846)
Interest rate swap agreements, net	3,985	3,985	2,266	2,266	21,788	21,788
Foreign currency contracts, net	(594)	(594)	1,876	1,876	18,038	18,038
Foreign currency options, net	(466)	(466)	(145)	(145)	(1,394)	(1,394)

**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 a measure of profit or loss 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 for the years ended March 31, 2002, 2003 and 2004.

### (a) Operating Segment Information

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Sales—				
Office equipment	¥1,485,389	¥1,520,574	<b>¥1,557,633</b>	<b>\$14,977,240</b>
Other	190,815	220,539	<b>225,074</b>	<b>2,164,173</b>
Intersegment transaction	(3,864)	(2,755)	<b>(2,462)</b>	<b>(23,673)</b>
Consolidated	¥1,672,340	¥1,738,358	<b>¥1,780,245</b>	<b>\$17,117,740</b>
Operating expenses—				
Office equipment	¥1,304,079	¥1,329,776	<b>¥1,353,304</b>	<b>\$13,012,538</b>
Other	187,424	222,772	<b>220,391</b>	<b>2,119,144</b>
Intersegment transaction	(3,893)	(2,726)	<b>(2,494)</b>	<b>(23,980)</b>
Unallocated expense	55,035	54,882	<b>59,038</b>	<b>567,673</b>
Consolidated	¥1,542,645	¥1,604,704	<b>¥1,630,239</b>	<b>\$15,675,375</b>
Operating income—				
Office equipment	¥ 181,310	¥ 190,798	<b>¥ 204,329</b>	<b>\$ 1,964,702</b>
Other	3,391	(2,233)	<b>4,683</b>	<b>45,029</b>
Elimination	(55,006)	(54,911)	<b>(59,006)</b>	<b>(567,366)</b>
Consolidated	¥ 129,695	¥ 133,654	<b>¥ 150,006</b>	<b>\$ 1,442,365</b>
Other expenses	¥ (15,745)	¥ (10,184)	<b>¥ (6,943)</b>	<b>\$ (66,759)</b>
Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change	¥ 113,950	¥ 123,470	<b>¥ 143,063</b>	<b>\$ 1,375,606</b>

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Total assets—				
Office equipment	¥1,219,723	¥1,198,706	¥1,220,747	\$11,737,952
Other	185,158	176,296	182,532	1,755,115
Elimination	(6,991)	(6,908)	(8,047)	(77,375)
Corporate assets	435,038	516,828	457,561	4,399,625
Consolidated	¥1,832,928	¥1,884,922	¥1,852,793	\$17,815,317
Expenditure for segment assets—				
Office equipment	¥ 68,513	¥ 65,720	¥ 65,366	\$ 628,519
Other	5,633	7,213	8,712	83,769
Corporate assets	1,530	1,023	1,429	13,741
Consolidated	¥ 75,676	¥ 73,956	¥ 75,507	\$ 726,029
Depreciation—				
Office equipment	¥ 64,426	¥ 60,687	¥ 57,956	\$ 557,269
Other	7,448	6,917	7,774	74,750
Corporate assets	1,908	1,954	1,954	18,789
Consolidated	¥ 73,782	¥ 69,558	¥ 67,684	\$ 650,808

Unallocated expense represents expenses for corporate headquarters.

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

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

### (b) Geographic Information

Sales which are attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2002, 2003 and 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Sales—				
Japan	¥ 902,655	¥ 896,022	¥ 914,060	\$ 8,789,038
The Americas	341,747	343,940	326,380	3,138,269
Europe	311,312	354,477	402,392	3,869,154
Other	116,626	143,919	137,413	1,321,279
Consolidated	¥1,672,340	¥1,738,358	¥1,780,245	\$17,117,740
Long-lived assets—				
Japan	¥ 257,752	¥ 251,214	¥ 248,277	\$ 2,387,279
The Americas	77,269	71,850	62,617	602,086
Europe	38,320	34,062	31,000	298,077
Other	12,897	11,742	10,093	97,048
Consolidated	¥ 386,238	¥ 368,868	¥ 351,987	\$ 3,384,490

Ricoh's long-lived assets consist primarily of property, plant and equipment, goodwill, other intangible assets and lease deposits and other.

### (c) Additional Information

The following information shows net sales and operating income recognized by geographic origin for the years ended March 31, 2002, 2003 and 2004. 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
	2002	2003	2004	2004
<b>Sales—</b>				
Japan				
External customers	¥ 938,946	¥ 954,310	¥ 962,127	\$ 9,251,221
Intersegment	309,745	320,596	351,070	3,375,673
<b>Total</b>	<b>1,248,691</b>	<b>1,274,906</b>	<b>1,313,197</b>	<b>12,626,894</b>
The Americas				
External customers	338,016	333,935	315,504	3,033,692
Intersegment	8,937	5,620	5,249	50,471
<b>Total</b>	<b>346,953</b>	<b>339,555</b>	<b>320,753</b>	<b>3,084,163</b>
Europe				
External customers	309,086	352,943	400,646	3,852,365
Intersegment	4,265	3,019	3,770	36,250
<b>Total</b>	<b>313,351</b>	<b>355,962</b>	<b>404,416</b>	<b>3,888,615</b>
Other				
External customers	86,292	97,170	101,968	980,461
Intersegment	60,655	72,664	91,373	878,587
<b>Total</b>	<b>146,947</b>	<b>169,834</b>	<b>193,341</b>	<b>1,859,048</b>
Elimination of intersegment sales	(383,602)	(401,899)	(451,462)	(4,340,980)
<b>Consolidated</b>	<b>¥1,672,340</b>	<b>¥1,738,358</b>	<b>¥1,780,245</b>	<b>\$17,117,740</b>
<b>Operating expenses—</b>				
Japan	¥1,142,522	¥1,188,760	¥1,215,875	\$ 11,691,106
The Americas	335,521	325,228	305,284	2,935,423
Europe	301,152	337,693	382,383	3,676,759
Other	139,874	159,864	182,870	1,758,365
Elimination of intersegment sales	(376,424)	(406,841)	(456,173)	(4,386,278)
<b>Consolidated</b>	<b>¥1,542,645</b>	<b>¥1,604,704</b>	<b>¥1,630,239</b>	<b>\$15,675,375</b>
<b>Operating income—</b>				
Japan	¥ 106,169	¥ 86,146	¥ 97,322	\$ 935,788
The Americas	11,432	14,327	15,469	148,740
Europe	12,199	18,269	22,033	211,856
Other	7,073	9,970	10,471	100,683
Elimination of intersegment profit	(7,178)	4,942	4,711	45,298
<b>Consolidated</b>	<b>¥ 129,695</b>	<b>¥ 133,654</b>	<b>¥ 150,006</b>	<b>\$ 1,442,365</b>
<b>Other expenses</b>	<b>¥ (15,745)</b>	<b>¥ (10,184)</b>	<b>¥ (6,943)</b>	<b>\$ (66,759)</b>
<b>Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change</b>	<b>¥ 113,950</b>	<b>¥ 123,470</b>	<b>¥ 143,063</b>	<b>\$ 1,375,606</b>
<b>Total assets—</b>				
Japan	¥1,084,387	¥1,064,857	¥1,071,297	\$ 10,300,933
The Americas	228,743	201,359	188,644	1,813,885
Europe	172,408	174,541	188,184	1,809,461
Other	61,549	70,458	63,701	612,509
Elimination	(149,197)	(143,121)	(116,594)	(1,121,096)
Corporate assets	435,038	516,828	457,561	4,399,625
<b>Consolidated</b>	<b>¥1,832,928</b>	<b>¥1,884,922</b>	<b>¥1,852,793</b>	<b>\$17,815,317</b>

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 as of March 31, 2002, 2003 and 2004.

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## 19. SUPPLEMENTARY INFORMATION TO THE STATEMENT OF INCOME

The following amounts were charged to selling, general and administrative expenses for the years ended March 31, 2002, 2003 and 2004:

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	Millions of yen			Thousands of U.S. dollars
	2002	2003	<b>2004</b>	<b>2004</b>
Research and development costs	¥80,799	¥83,551	<b>¥92,515</b>	<b>\$889,567</b>
Advertising costs	16,868	16,958	<b>17,950</b>	<b>172,596</b>
Shipping and handling costs	13,332	12,582	<b>12,352</b>	<b>118,769</b>

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## Report of Independent Registered Public Accounting Firm

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 subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' investment and cash flows for each of the years in the three-year period ended March 31, 2004, expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Standards of the Public Company Accounting Oversight Board (United States). 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 subsidiaries as of March 31, 2003 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 5 to the consolidated financial statements, the Company and its subsidiaries changed their accounting policy with respect to the recognition of unrealized gains and losses as realized in the statements of income on transfers of marketable equity securities to its employee retirement benefit trust.

As discussed in Note 2 to the consolidated financial statements, the Company and its subsidiaries adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective April 1, 2002, and the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective April 1, 2001.

The accompanying consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements, expressed in yen, have been translated into dollars on the basis set forth in Note 2 to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
April 28, 2004