



# Management's Discussion and Analysis of Fiscal 2005 Results

## Revenues

In fiscal year 2005 (extending from April 1, 2004 to March 31, 2005), the Ricoh Group recorded consolidated net sales of ¥1,814.1 billion (\$16,954 million), or up 1.9% from the previous fiscal year. This marks the eleventh consecutive fiscal year of year-on-year revenue growth. During the term under review, the average exchange rates of the yen against the U.S. dollar and the euro were ¥107.58 (up ¥5.51) and ¥135.25 (down ¥2.60), respectively. Excluding the effects of these foreign exchange rate fluctuations, consolidated net sales increased 2.4% from the previous fiscal year.

In terms of domestic market, sales increased for printing systems such as MFPs (multifunction printers) and laser printers. Ricoh Printing Systems, Ltd., our newly acquired printer company, contributed to the sales increase. Our solutions business such as customer support and service also delivered favorable performance. As a result, overall sales of office equipment increased 5.0% from the previous corresponding period. While other businesses suffered from sluggish demand for semiconductors and lower demand period for measuring equipment, such businesses as optical equipment maintained strength.

Consequently, overall domestic sales increased 6.4% to ¥972.9 billion (\$9,093 million). Domestic sales accounted for 53.6% of consolidated net sales, or up 2.3 percentage points.

In terms of overseas, sales decreased in the Americas due to the yen's appreciation against the U.S. dollar. In Europe, on the other hand, sales kept strong gains. In other areas, sales decreased as we sold

consolidated subsidiaries in optical-related analog businesses. By product category, sales proceeds from our core products (color PPCs and printing systems) increased to compensate for part of the sales declines in standalone analog equipment and optical discs. Due to the aforementioned sale of businesses and the relative yen's appreciation, overseas sales decreased 2.9% from the previous corresponding period to ¥841.1 billion (\$7,861 million). Excluding the effects of foreign exchange rate fluctuations, overseas sales increased 1.9%. Overseas sales accounted for 46.4% of consolidated net sales, or down 2.3 percentage points.

## Operating Income

Gross profit decreased 1.4% from the previous corresponding period to ¥754.5 billion (\$7,052 million). Although sales increased in such high-margin, high value added products as MFPs and laser printers and the ongoing cost-cutting efforts contributed to gross profit, the sales promotion of color models in the first half of the term under review, downsizing of the optical disc business, the aforementioned sale of businesses, and the yen's appreciation had a negative effect on gross profit.

Selling, general and administrative expenses decreased by 0.8% to ¥619.0 billion (\$5,786 million) from the previous corresponding period. Ricoh increased its research and development investments by 19.4% to ¥110.4 billion (\$1,033 million) from the previous

## SALES BY PRODUCT LINE

	2004		2005		Thousands of U.S.dollars
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	
<b>Office Equipment</b>					
Imaging Solutions	¥ 803,574	45.1%	¥ 715,097	39.4%	\$ 6,683,150
Network Input/Output Systems	558,237	31.4	670,836	37.0	6,269,495
Network System Solutions	195,822	11.0	205,895	11.3	1,924,252
<b>Other Businesses</b>	222,612	12.5	222,280	12.3	2,077,383
<b>Total</b>	¥1,780,245	100.0%	¥1,814,108	100.0%	\$ 16,954,280

## SALES BY GEOGRAPHIC AREA

	2004		2005		Thousands of U.S.dollars
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	
Japan	¥ 914,060	51.3%	¥ 972,975	53.6%	\$ 9,093,224
The Americas	326,380	18.3	325,597	17.9	3,042,963
Europe	402,392	22.6	408,906	22.5	3,821,551
Other	137,413	7.8	106,630	6.0	996,542
<b>Total</b>	¥1,780,245	100.0%	¥1,814,108	100.0%	\$ 16,954,280

corresponding period for purposes of developing more advanced products with new capabilities to maintain its high market share position in the competitive marketplace. Despite this increase in research and development investments, such increase was completely offset by (i) the depreciation of the U.S. dollar in relation to the Japanese Yen which resulted in a decrease in selling, general and administrative expenses, (ii) the divestiture of its subsidiaries in the optical-related analog business, and (iii) the decrease in pension costs due to pension systems restructuring, such as the transfer to the Japanese government of the substitutional portion of the domestic employees' pension fund ("EPF") plan.

Ricoh completed its transfer to the Japanese government of the substitutional portion of the EPF. Ricoh recognized a one-time gain of ¥56.9 billion from a Japanese government subsidy and a one-time settlement loss of ¥48.6 billion for the transfer of such substitutional portion of the EPF during fiscal year 2004.

As a result of these activities, operating income decreased 9.7% from the previous corresponding period to ¥135.5 billion (\$1,266 million).

## Income before Income Taxes:

In terms of other (income) expenses, interest and dividend income increased. On the other hand, the company reduced interest-bearing liabilities and interest costs by effective management of financing between group companies. Furthermore, although the company recorded a loss from foreign exchange in the previous fiscal year, it enjoyed a gain from foreign exchange during the term under review. As a result, income before income taxes decreased 5.4% to ¥135.3 billion (\$1,265 million).

## Net Income

The effective tax rate decreased as a result of greater tax deductions for research and development and IT investment and improved overall profitability of consolidated subsidiaries. The effect of improved profitability of consolidated companies is reflected in the minority interests in earnings. In the previous corresponding period, the cumulative effect (¥7.3 billion gain) of change in accounting for marketable securities transferred to a pension trust was reflected in the income statement in connection with gain recognition for additional contribution to the employee pension trust.

As a result of these activities, net income decreased 9.4% from the previous corresponding period to ¥83.1 billion (\$777 million).

We raised cash dividends paid per share of common stock to ¥20.00 (\$0.19), an increase for the fifth consecutive year.

## Segment Information

### CONSOLIDATED SALES BY PRODUCT LINE

#### 1. Office Equipment

Seeing further advancements in digital networks and increasing volume of information that is processed electronically and in color, customers more than ever desire to improve and reform their operations. In an effort to help these customers manage TDV (total document volume) more efficiently and effectively, the Ricoh Group has continued to offer solutions to optimize total printing costs of customers. As a strategy to help the customers, we have advanced the compatibility of standalone analog equipment to digitalization, networking, color technology, and higher output speed. As a result, sales, particularly those of such printing systems as MFPs and laser printers, have soared. Continuing sales gains were also seen in solutions business, including customer support and service. Severe market competition, decrease sales of optical discs, and the yen's appreciation against the U.S. dollar proved to be a challenge for the Ricoh Group. Nevertheless, the development and expansion of strategies for our core products proved effective, and sales increased in both domestic and overseas markets. Accordingly, sales of Office Equipment increased 2.2% from the previous corresponding period to ¥1,591.8 billion (\$14,877 million).

#### Imaging Solutions

In terms of Digital Imaging Systems, the company strengthened its lineup from standard models to high-speed digital models. The company offered a series of new color PPCs products that increased its sales particularly overseas. Due to the demand shift to printing systems, however, sales of digital imaging as a whole decreased 7.8% from the previous corresponding period.

In terms of Other Imaging Systems, a transition is being advanced from analog to digital or MFPs models. Sales of Other Imaging Systems, as a result, decreased 20.9%.

The performance of Imaging Solutions reflects the Ricoh Group's strategy as overall sales decreased 11.0% from the previous corresponding period to ¥715.0 billion (\$6,683 million). Sales of this category accounted for 39.4%, down 5.7 percentage points, of net consolidated sales.

#### Network Input/Output Systems

In terms of Printing Systems, the company offered new products that present higher speed, networking, and color technology to increase sales of printing equipment that matches to customer needs. Such domestic MFPs models as imagio Neo 752/602 series and color MFPs models as imagio C245 and imagio NEO C385 and such overseas MFPs models as

Aficio 2035/2045 series and color MFPs models as Aficio 2232C/2238C series have won wide acclaim from customers. Laser printers, both monochrome and color models, have increased sales both in Japan and overseas. Ricoh Printing Systems, Ltd., a new subsidiary of the Ricoh Group, has contributed to the sales growth. The company have also seen continuing increase in sales of the Gel-Jet printer, a low-priced color printer for office use. As a result, sales of Printing Systems as a whole increase 28.7% from the previous corresponding period. As for Other I/O Systems, the company streamlined the optical disc business by reorganizing key modules such as in-house developed drives and part units, other than media. As a result, sales of Other I/O Systems declined 68.4% from the previous corresponding period. As a key target of these strategies, sales of Network I/O Systems, as a whole, increased 20.2% from the previous corresponding period to ¥670.8 billion (\$6,269 million). Sales of this category accounted for 37.0%, up 5.6 percentage points, of net consolidated sales.

### *Network System Solutions*

Sales have continued to increase, both in Japan and overseas, for solutions business, including support and service, as customers have embraced proposals to optimize their total printing costs. The demand for PC servers has begun to recover in Japan. As a result, sales of this category increased 5.1% from the previous fiscal year to ¥205.8 billion (\$1,924 million).

## **2. Other Businesses**

In Japan, while the performance of measuring equipment in the sluggish period and semiconductor suffering from a lack of demand declined, optical equipment continued to prosper. Overseas, sales decreased as a result of selling subsidiaries in optical-related businesses. As a result, sales of this category decreased 0.1% from the previous corresponding period to ¥222.2 billion (\$2,077 million).

## **CONSOLIDATED SALES BY GEOGRAPHIC AREA**

### **1. Japan**

While the Japanese economy has been encouraged by signs of recovery in the stock market, capital investment, and corporate performance, high raw material and crude oil prices are a cause for concern. In addition, the domestic market remains under severe competition. Against such a backdrop, Office Equipment has promoted product and sales strategies that meet customer needs. As a result, sales of Printing Systems such as MFPs and laser printers, and solutions business, including support and service, have posted solid sales gains. The sales increase has compensated for the sales decrease in analog equipment, where the company is advancing the transition to MFPs and color models. In Other Businesses, while sales of measuring equipment and

semiconductors decreased due to sluggish demand, such businesses as optical equipment have maintained momentum. As a result, domestic sales increased 6.4% from the previous corresponding period to ¥972.9 billion (\$9,093 million). Domestic sales accounted for 53.6%, up 2.3 percentage points, of net consolidated sales.

### **2. The Americas**

The economies of the Americas remained robust. Amidst the severe competition, we focused on increasing color PPCs sales and on printing systems that cater to the customer needs for networking, color technology, and higher output speed through our revamped and reinforced sales network. We also made an effort to boost sales to major accounts. Due to the appreciation of the yen against the U.S. dollar, however, sales in the Americas as a whole fell 0.2% from the previous corresponding period to ¥325.5 billion (\$3,043 million). Excluding the effect of the yen's appreciation against the U.S. dollar, sales in the Americas as a whole increased 4.8%.

### **3. Europe**

The European economy has become relatively stable. Sales of color PPC and printing systems have increased, and the Ricoh Group has maintained its market share lead in photocopiers market. Although sales of optical discs, from which are focusing to media business, decreased, due partly to the yen's depreciation against the euro, sales in Europe as a whole increased 1.6% from the previous corresponding period to ¥408.9 billion (\$3,822 million).

### **4. Other**

The demand shift to color and MFPs in office equipment has picked up momentum in China, Asia and other areas. As a result, sales of color PPC and printing systems have increased from the previous corresponding period. Due to the downsizing of the optical disc business, the sluggish demand for semiconductors and the aforementioned sale of optical-related analog consolidated subsidiaries, however, sales in Other area decreased. Sales of the others decreased 22.4% to ¥106.6 billion (\$997 million).

## **Financial Position**

Total assets have increased considerably due primarily to an increase in operating assets due to sales growth and the consolidation of Ricoh Printing Systems, Ltd., which was acquired in October 2004. In Assets, part of the decrease in cash and cash equivalents and in marketable securities from the end of the previous period was appropriated to the aforementioned acquisition. Trade receivables increased, primarily in Japan and inventories increased. Property, plant and equipment increased, while finance receivables increased due to

LONG-TERM INDEBTEDNESS (Excluding Capital Lease Obligations and SFAS No. 133 fair value adjustment)	Average pay rate	Millions of yen								
		Total	Expected maturity date						2011 and thereafter	Fair Value
			2006	2007	2008	2009	2010			
Bonds	1.40%	<b>¥130,000</b>	¥40,000	¥45,000	¥10,000	¥25,000	¥10,000	¥ –	¥132,353	
Medium-Term Notes	0.30	<b>22,000</b>	11,000	10,000	–	–	–	1,000	22,010	
Loans	1.37	<b>213,549</b>	92,307	44,294	43,615	8,946	24,347	40	213,458	
<b>Total</b>		<b>¥365,549</b>	¥143,307	¥99,294	¥53,615	¥33,946	¥34,347	¥1,040	¥367,821	

	Average pay rate	Thousand of U.S. dollars								
		Total	Expected maturity date						2011 and thereafter	Fair Value
			2006	2007	2008	2009	2010			
Bonds	1.40%	<b>\$1,214,954</b>	\$373,832	\$420,561	\$93,458	\$233,645	\$93,458	\$ –	\$1,236,946	
Medium-Term Notes	0.30	<b>205,607</b>	102,804	93,457	–	–	–	9,346	205,697	
Loans	1.37	<b>1,995,785</b>	862,682	413,963	407,617	83,607	227,542	374	1,994,935	
<b>Total</b>		<b>\$3,416,346</b>	\$1,339,318	\$927,981	\$501,075	\$317,252	\$321,000	\$9,720	\$3,437,578	

INTEREST RATE SWAPS				Millions of yen								
Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	Expected maturity date						2011 and thereafter	Fair Value
					2006	2007	2008	2009	2010			
¥ 84,000	Receive floating/Pay fixed	0.30%	0.06%	<b>¥84,000</b>	¥52,000	¥22,000	¥10,000	¥ –	¥ –	¥ –	¥ –	¥1,694
45,000	Receive fixed /Pay floating	2.20	0.11	<b>45,000</b>	19,000	1,000	6,000	–	10,000	9,000	–	(124)
US\$ 183	Receive fixed /Pay fixed	3.90%	2.85%	<b>¥19,601</b>	¥ –	¥ –	¥19,601	¥ –	¥ –	¥ –	¥ –	¥113

				Thousand of U.S. dollars								
Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	Expected maturity date						2011 and thereafter	Fair Value
					2006	2007	2008	2009	2010			
¥ 84,000	Receive floating/Pay fixed	0.30%	0.06%	<b>\$785,047</b>	\$485,982	\$205,607	\$93,458	\$ –	\$ –	\$ –	\$ –	\$15,832
45,000	Receive fixed /Pay floating	2.20	0.11	<b>420,561</b>	177,570	9,346	56,075	–	93,458	84,112	–	(1,159)
US\$ 183	Receive fixed /Pay fixed	3.90%	2.85%	<b>\$183,187</b>	\$ –	\$ –	\$183,187	\$ –	\$ –	\$ –	\$ –	\$1,056

increase of sales. Investments and other assets increased as a result of recognizing goodwill and other intangible assets accompanying the aforementioned acquisition. Consequently, total assets increased ¥100.8 billion to ¥1,953.6 billion (\$18,259 million).

As for Liabilities, domestic and overseas trade payables increased. Interest-bearing debt decreased as a result of effective utilization of financial resource in the Ricoh Group. In addition, other current liabilities decreased as a result of reducing bonuses and transfer to tax reserve. Accrued pension and severance costs increased. As a result, total liabilities decreased ¥30.7 billion to ¥1,039.5 billion (\$9,715 million).

In Shareholders' Investment, there was no major change in common stock or additional paid-in capital. Retained earnings, accumulated other comprehensive income and treasury stock increased. As a result, total shareholders' equity increased by ¥67.8 billion to ¥862.9 billion (\$8,065 million).

## Cash Flows

Although net income and accrued pension and severance costs increased, increase of trade receivables, inventories and finance receivables result in net cash provided by operating activities decreasing ¥22.1 billion from the previous corresponding period to ¥132.7 billion (\$1,241 million).

Net cash used in investing activities increased ¥32.8 billion from the end of the previous corresponding period to ¥96.1 billion (\$899 million) due to ongoing capital investment to reinforce production lines for new products and the purchase of a printer company.

As a result of these activities, the free cash flow, which is the total of the cash flows from operating activities and investing activities, decreased ¥55.0 billion from the previous corresponding period to ¥36.5 billion (\$342 million) of positive cash flow.

Net cash used in financing activities was incurred for reducing interest-bearing liabilities by encouraging financing between group companies, ¥14.7 billion (\$138 million) for payment of dividends, and ¥10.6 billion (\$99 million) for acquisition of treasury stock. As a result, net cash used in financing activities amounted to ¥56.4 billion (\$527 million).

As a result of the above, the ending balance of cash and cash equivalents decrease ¥16.1 billion from the end of the previous corresponding period to ¥186.8 billion (\$1,746 million).

## Capital Expenditures

Ricoh's capital expenditures for the fiscal years 2003, 2004 and 2005 were ¥73.9 billion, ¥75.5 billion and ¥84.7 billion (\$792 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 year 2005, Ricoh also invested a significant amount of capital to upgrade its information systems for its back-office operations, such as sales force automations, procurement, accounting, operations and the management of intellectual property. With this upgrade in the information systems, Ricoh began implementing a new accounting system and a new intellectual property management system since fiscal year 2003 to better track and manage its operations. Ricoh projects that for the fiscal year ending March 31, 2006 its capital expenditures will amount to approximately ¥114.0 billion (\$1,065 million), principally for the following categories: digital and networking equipment, newly developed toner factory and new accounting and intellectual property management systems.

## Key Financial Ratios

We have provided the following ratios to facilitate analysis of the Company's operations for fiscal 2003, 2004, and 2005.

	Fiscal 2003	Fiscal 2004	<b>Fiscal 2005</b>
Return on sales	4.2%	5.2%	<b>4.6%</b>
Return on shareholders' investment	11.2%	12.6%	<b>10.0%</b>
Current ratio*	1.63	1.69	<b>1.53</b>
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	0.74	0.54	<b>0.48</b>
Interest coverage	20.1	28.7	<b>29.4</b>

\*Current ratio has been adjusted for all periods presented to reflect the reclassification of the current portion of finance receivables as a current asset. See Note 2 to the consolidated financial statement.

## 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

## FOREIGN EXCHANGE FORWARD CONTRACTS

	Average contractual rates	Millions of yen		Thousand of U.S. dollar	
		Contract amounts	Estimated fair value	Contract amounts	Estimated fair value
US\$/¥	107.41	¥537	¥ 1	\$5,019	\$ 9
EUR/¥	137.28	31,066	(253)	290,336	(2,364)

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 2005, and there are no material quantitative changes in market risk exposure at March 31, 2005. 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 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, 2005.

	Millions of Yen		Thousand of U.S. dollar	
	Cost	Fair Value	Cost	Fair Value
Debt Securities				
Due with in one year	¥137	¥137	\$1,281	\$1,281
Due after one year though five years	6,000	6,045	56,075	56,495
Equity Securities	7,479	16,451	69,897	153,748
Investment Trusts*	1,230	1,710	11,495	15,981
Total	¥14,846	¥24,343	\$138,748	\$227,505

\*Investment Trusts consist of investment in marketable debt and equity security.

## Selected Financial Data

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

	1996	1997	1998
<b>For the Year:</b>			
Net sales	¥1,113,030	¥1,316,072	¥1,403,348
Cost of sales	683,406	772,238	838,440
Selling, general and administrative expense	374,246	460,471	475,201
Income before income taxes, minority interests and equity in earnings of affiliates	51,020	66,905	68,428
Provision for income taxes	28,251	39,864	40,210
Net income	21,869	28,922	30,131
Capital expenditures	48,828	78,666	94,117
Depreciation and amortization	46,430	51,000	61,971
<b>Per Share Data</b> (in yen and dollars):			
Net income			
Basic	¥ 33.55	¥ 44.16	¥ 44.97
Diluted	31.21	38.95	41.35
Cash dividends paid	10.00	11.00	11.50
<b>At Year-End:</b>			
Total assets	¥1,508,519	¥1,644,896	¥1,660,496
Long-term indebtedness	411,023	386,918	295,536
Shareholders' investment	401,471	422,923	475,005
Working capital*	248,830	191,539	149,783
Return on sales	2.0%	2.2%	2.1%
Return on shareholders' investment	5.6	7.0	6.7
<b>Common Stock Price Range</b> (in yen and dollars):			
High	¥ 1,230	¥ 1,530	¥ 1,900
Low	650	1,050	1,270

\* Working capital has been adjusted for all periods presented to reflect the reclassification of the current portion of finance receivables as a current asset. See Note 2 to the consolidated financial statement.

Million of yen							Thousand of U.S. dollars
1999	2000	2001	2002	2003	2004	2005	2005
¥1,425,999	¥1,447,157	¥1,538,262	¥1,672,340	¥1,738,358	¥1,780,245	<b>¥1,814,108</b>	<b>\$16,954,280</b>
857,423	867,148	924,893	972,394	993,009	1,014,619	<b>1,059,531</b>	<b>9,902,159</b>
495,029	491,088	508,264	570,251	611,695	623,935	<b>619,071</b>	<b>5,785,710</b>
53,054	70,393	97,765	113,950	123,470	143,063	<b>135,383</b>	<b>1,265,262</b>
24,555	28,363	43,512	51,147	51,984	56,641	<b>50,634</b>	<b>473,215</b>
30,655	41,928	53,228	61,614	72,513	91,766	<b>83,143</b>	<b>777,037</b>
70,469	58,356	73,329	75,676	73,956	75,507	<b>84,701</b>	<b>791,598</b>
67,456	61,946	62,142	73,782	76,551	76,968	<b>78,201</b>	<b>730,851</b>
¥ 44.33	¥ 60.61	¥ 76.85	¥ 88.27	¥ 99.79	¥ 123.63	<b>¥ 112.64</b>	<b>\$ 1.05</b>
40.94	56.06	71.02	82.46	96.81	123.63	<b>112.64</b>	<b>1.05</b>
11.00	11.00	11.50	12.00	14.00	15.00	<b>20.00</b>	<b>0.19</b>
¥1,628,017	¥1,543,320	¥1,704,791	¥1,832,928	¥1,884,922	¥1,852,793	<b>¥1,953,669</b>	<b>\$18,258,589</b>
344,580	307,962	217,743	332,995	345,902	281,570	<b>226,567</b>	<b>2,117,449</b>
487,459	541,506	556,728	633,020	657,514	795,131	<b>862,998</b>	<b>8,065,402</b>
284,765	297,502	121,446	323,168	372,770	418,511	<b>358,233</b>	<b>3,347,972</b>
2.1%	2.9%	3.5%	3.7%	4.2%	5.2%	<b>4.6%</b>	-
6.4	8.1	9.7	10.4	11.2	12.6	<b>10.0</b>	-
¥ 1,634	¥ 2,525	¥ 2,495	¥ 2,735	¥ 2,470	¥ 2,365	<b>¥ 2,345</b>	<b>\$ 21.92</b>
969	1,078	1,627	1,563	1,637	1,607	<b>1,782</b>	<b>16.65</b>

# Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries  
March 31, 2004 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 203,039	¥186,857	\$1,746,327
Time deposits	962	1,454	13,589
Marketable securities	45,124	138	1,290
Trade receivables-			
Notes	76,499	75,233	703,112
Accounts	362,784	396,150	3,702,336
Less- Allowance for doubtful receivables	(17,039)	(17,451)	(163,093)
Current maturities of long-term finance receivables, net	154,122	166,636	1,557,346
Inventories-			
Finished goods	100,154	109,224	1,020,785
Work in process and raw materials	45,215	58,141	543,374
Deferred income taxes and other	55,079	53,365	498,738
<b>Total current assets</b>	<b>1,025,939</b>	<b>1,029,747</b>	<b>9,623,804</b>
<b>Property, Plant and Equipment, at cost:</b>			
Land	43,423	43,077	402,589
Buildings	200,844	203,537	1,902,215
Machinery and equipment	653,467	643,386	6,012,953
Construction in progress	10,629	18,720	174,953
	908,363	908,720	8,492,710
Less- Accumulated depreciation	(669,651)	(661,310)	(6,180,467)
	238,712	247,410	2,312,243
<b>Investments and Other Assets:</b>			
Long-term finance receivables, net	359,925	391,947	3,663,056
Investment securities	21,871	31,154	291,159
Investments in and advances to affiliates	46,967	49,316	460,897
Goodwill	25,298	47,502	443,944
Other intangible assets	43,233	69,414	648,729
Lease deposits and other	90,848	87,179	814,757
	588,142	676,512	6,322,542
	¥1,852,793	¥1,953,669	\$18,258,589

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

LIABILITIES AND SHAREHOLDERS' INVESTMENT	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
<b>Current Liabilities:</b>			
Short-term borrowings	¥ 68,952	¥ 38,710	\$361,776
Current maturities of long-term indebtedness	82,210	144,808	1,353,346
Trade payables-			
Notes	29,937	29,686	277,439
Accounts	267,735	306,813	2,867,411
Accrued income taxes	25,050	24,074	224,991
Accrued expenses and other	133,544	127,423	1,190,869
Total current liabilities	607,428	671,514	6,275,832
<b>Long-term Liabilities:</b>			
Long-term indebtedness	281,570	226,567	2,117,449
Accrued pension and severance costs	83,492	92,672	866,093
Deferred income taxes	36,295	48,767	455,766
	401,357	368,006	3,439,308
<b>Minority Interests</b>	48,877	51,151	478,047
<b>Commitments and Contingent Liabilities (Note 16)</b>			
<b>Shareholders' Investment:</b>			
Common stock;			
Authorized – 993,000,000 shares in 2004 and 2005			
Issued and outstanding - 744,912,078 shares and 738,894,891 shares in 2004 and 744,912,078 shares and 734,045,879 shares in 2005	135,364	135,364	1,265,084
Additional paid-in capital	186,599	186,551	1,743,467
Retained earnings	515,372	584,515	5,462,757
Accumulated other comprehensive income (loss)	(30,272)	(21,963)	(205,261)
Treasury stock at cost; 6,017,187 shares in 2004 and 10,866,199 shares in 2005	(11,932)	(21,469)	(200,645)
Total shareholders' investment	795,131	862,998	8,065,402
	¥1,852,793	¥1,953,669	\$18,258,589

# Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2003, 2004 and 2005				Thousands of U.S. Dollars
	Millions of Yen			
	2003	2004	2005	2005
<b>Net Sales</b>	¥1,738,358	¥1,780,245	<b>¥1,814,108</b>	<b>\$16,954,280</b>
<b>Cost of Sales</b>	993,009	1,014,619	<b>1,059,531</b>	<b>9,902,159</b>
Gross profit	745,349	765,626	<b>754,577</b>	<b>7,052,121</b>
<b>Selling, General and Administrative Expenses</b>	611,695	623,935	<b>619,071</b>	<b>5,785,710</b>
<b>Transfer to the government of the substitutional portion of Employees' Pension Fund:</b>				
Settlement loss	–	48,657	–	–
Subsidy from government	–	(56,972)	–	–
Operating income	133,654	150,006	<b>135,506</b>	<b>1,266,411</b>
<b>Other (Income) Expenses:</b>				
Interest and dividend income	(3,772)	(1,925)	<b>(2,240)</b>	<b>(20,934)</b>
Interest expense	6,853	5,290	<b>4,684</b>	<b>43,776</b>
Foreign currency exchange (gain) loss, net	566	6,136	<b>(1,547)</b>	<b>(14,458)</b>
Other, net	6,537	(2,558)	<b>(774)</b>	<b>(7,234)</b>
Total	10,184	6,943	<b>123</b>	<b>1,150</b>
<b>Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change</b>	123,470	143,063	<b>135,383</b>	<b>1,265,261</b>
<b>Provision for Income Taxes:</b>				
Current	63,183	53,303	<b>39,281</b>	<b>367,112</b>
Deferred	(11,199)	3,338	<b>11,353</b>	<b>106,103</b>
Total	51,984	56,641	<b>50,634</b>	<b>473,215</b>
<b>Income before Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change</b>	71,486	86,422	<b>84,749</b>	<b>792,046</b>
<b>Minority Interests</b>	1,376	4,094	<b>4,726</b>	<b>44,168</b>
<b>Equity in Earnings of Affiliates</b>	2,403	2,065	<b>3,120</b>	<b>29,159</b>
<b>Income before Cumulative Effect of Accounting Change Cumulative Effect of Accounting Change, net of tax</b>	72,513	84,393	<b>83,143</b>	<b>777,037</b>
<b>Net Income</b>	¥ 72,513	¥ 91,766	<b>¥ 83,143</b>	<b>\$ 777,037</b>
		Yen		U.S. Dollars
<b>Per Share of Common Stock:</b>				
Basic:				
Income before cumulative effect of accounting change	¥ 99.79	¥ 113.69	<b>¥ 112.64</b>	<b>\$ 1.05</b>
Cumulative effect of accounting change	–	9.94	–	–
Net income	99.79	123.63	<b>112.64</b>	<b>1.05</b>
Diluted:				
Income before cumulative effect of accounting change	96.81	113.69	<b>112.64</b>	<b>1.05</b>
Cumulative effect of accounting change	–	9.94	–	–
Net income	96.81	123.63	<b>112.64</b>	<b>1.05</b>
Cash dividends per share	¥ 14.00	¥ 15.00	<b>¥ 20.00</b>	<b>\$ 0.19</b>
<b>Per American Depositary Share, each representing 5 shares of common stock:</b>				
Basic:				
Income before cumulative effect of accounting change	¥ 498.95	¥ 568.45	<b>¥ 563.20</b>	<b>\$ 5.26</b>
Cumulative effect of accounting change	–	49.70	–	–
Net income	498.95	618.15	<b>563.20</b>	<b>5.26</b>
Diluted:				
Income before cumulative effect of accounting change	484.05	568.45	<b>563.20</b>	<b>5.26</b>
Cumulative effect of accounting change	–	49.70	–	–
Net income	484.05	618.15	<b>563.20</b>	<b>5.26</b>
Cash dividends per share	¥ 70.00	¥ 75.00	<b>¥ 100.00</b>	<b>\$ 0.93</b>

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

# Consolidated Statements of Shareholders' Investment

Ricoh Company, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2003, 2004 and 2005	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
<b>Common Stock:</b>				
Beginning balance	¥120,461	¥135,364	¥135,364	\$1,265,084
Conversion of convertible bonds; 24,633,822 shares in 2003	14,903	-	-	-
Ending balance	¥135,364	¥135,364	¥135,364	\$1,265,084
<b>Additional Paid-in Capital:</b>				
Beginning balance	¥171,628	¥186,521	¥186,599	\$1,743,916
Conversion of convertible bonds	14,893	-	-	-
Gain (Loss) on disposal of treasury stock in exchange for subsidiary's stock	-	78	(48)	(449)
Ending balance	¥186,521	¥186,599	¥186,551	\$1,743,467
<b>Retained Earnings:</b>				
Beginning balance	¥385,741	¥434,748	¥515,372	\$4,816,561
Adjustment for change in fiscal year end of consolidated subsidiaries	-	-	777	7,262
Net income for the year	72,513	91,766	83,143	777,037
Dividends declared and approved	(10,178)	(11,142)	(14,777)	(138,103)
Retirement of treasury stock; 7,000,000 shares in 2003	(13,328)	-	-	-
Ending balance	¥434,748	¥515,372	¥584,515	\$5,462,757
<b>Accumulated other comprehensive income (loss):</b>				
Beginning balance	¥(44,376)	¥(94,733)	¥(30,272)	\$ (282,916)
Adjustment for change in fiscal year end of consolidated subsidiaries	-	-	(1,665)	(15,560)
Foreign currency translation adjustments	1,007	(5,393)	9,041	84,495
Unrealized gains (losses) on securities, net of reclassification adjustment	(1,984)	(4,556)	765	7,150
Unrealized gains on derivatives, net of reclassification adjustment	29	154	141	1,318
Minimum pension liability adjustments	(49,409)	74,256	27	252
Ending balance	¥(94,733)	¥(30,272)	¥(21,963)	\$ (205,261)
<b>Treasury stock:</b>				
Beginning balance	¥ (434)	¥ (4,386)	¥(11,932)	\$ (111,514)
Purchase of treasury stock; 9,111,925 shares in 2003, 5,731,150 shares in 2004 and 6,179,522 shares in 2005	(17,280)	(11,411)	(12,178)	(113,813)
Sales of treasury stock; 6,873 shares in 2004 and 24,810 shares in 2005	-	13	49	458
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 and 1,305,700 shares in 2005	-	3,852	2,592	24,224
Ending balance	¥ (4,386)	¥(11,932)	¥(21,469)	\$ (200,645)
<b>Comprehensive income:</b>				
Net income for the year	¥ 72,513	¥ 91,766	¥ 83,143	\$ 777,037
Other comprehensive income (loss) for the year, net of tax	(50,357)	64,461	9,974	93,215
Total comprehensive income for the year	¥ 22,156	¥156,227	¥ 93,117	\$ 870,252

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, 2003, 2004 and 2005	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	¥ 72,513	¥ 91,766	¥ 83,143	\$777,037
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	76,551	76,968	78,201	730,851
Equity in earnings of affiliates, net of dividends received	(1,167)	(1,001)	(1,966)	(18,374)
Deferred income taxes	(9,289)	3,338	11,353	106,103
Losses on disposals and sales of property, plant and equipment	1,975	2,035	4,056	37,907
Cumulative effect of accounting change, net of tax	-	(7,373)	-	-
Changes in assets and liabilities, net of effects from acquisition-				
(Increase) decrease in trade receivables	22,176	(11,367)	(26,429)	(247,000)
(Increase) decrease in inventories	14,983	(4,317)	(12,885)	(120,421)
Increase in finance receivables	(33,109)	(32,650)	(30,294)	(283,121)
Increase in trade payables	5,632	21,316	27,276	254,916
(Decrease) increase in accrued income taxes and accrued expenses and other	11,173	(5,913)	(13,719)	(128,215)
(Decrease) increase in accrued pension and severance costs	7,806	(609)	4,307	40,252
Other, net	16,498	22,718	9,737	91,000
Net cash provided by operating activities	185,742	154,911	132,780	1,240,935
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales of property, plant and equipment	245	190	721	6,738
Expenditures for property, plant and equipment	(71,984)	(75,432)	(84,076)	(785,757)
Payments for purchases of available-for-sale securities	(52,219)	(35,518)	(79,431)	(742,346)
Proceeds from sales of available-for-sale securities	24,513	45,464	118,120	1,103,925
(Increase) decrease in time deposits	944	9,915	(511)	(4,776)
Acquisitions of subsidiaries, net of cash acquired	(1,438)	-	(43,214)	(403,869)
Other, net	1,740	(8,002)	(7,807)	(72,962)
Net cash used in investing activities	(98,199)	(63,383)	(96,198)	(899,047)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from long-term indebtedness	58,194	13,349	72,206	674,823
Repayment of long-term indebtedness	(23,133)	(31,509)	(60,613)	(566,477)
Decrease in short-term borrowings, net	(73,393)	(10,728)	(38,052)	(355,626)
Proceeds from issuance of long-term debt securities	11,000	1,000	18,000	168,224
Repayment of long-term debt securities	(11,723)	(23,910)	(22,000)	(205,607)
Dividend paid	(10,176)	(11,136)	(14,793)	(138,252)
Payment for purchase of treasury stock	(17,281)	(11,411)	(10,624)	(99,290)
Other, net	(631)	(490)	(563)	(5,262)
Net cash used in financing activities	(67,143)	(74,835)	(56,439)	(527,467)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
	(1,329)	(2,897)	1,200	11,215
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	19,071	13,796	(18,657)	(174,364)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	170,172	189,243	203,039	1,897,561
<b>ADJUSTMENT FOR CHANGE IN FISCAL YEAR END OF CONSOLIDATED SUBSIDIARIES</b>				
	-	-	2,475	23,130
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	¥189,243	¥203,039	¥186,857	\$1,746,327
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>				
<b>CASH PAID DURING THE YEAR FOR-</b>				
Interest	¥ 7,300	¥ 6,479	¥ 5,402	\$ 50,486
Income taxes	52,154	66,914	40,803	381,336

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 U.S. generally accepted accounting principles. Significant accounting and reporting policies are summarized below:

### (a) Basis of Presentation

The accompanying consolidated financial statements for the three years ended March 31, 2005 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, 2005 is included solely for the convenience of readers outside Japan and has been made using the exchange rate of ¥107 to US\$1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2005.

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 U.S. generally accepted accounting principles.

### (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.

At the beginning of fiscal 2005, the Company changed the year end of certain overseas subsidiaries from December 31 to March 31. As a result, unappropriated retained earnings increased by ¥777 million (\$7,262 thousand) and accumulated other comprehensive income (loss) in shareholders' investment decreased by ¥1,665 million (\$15,560 thousand).

### (c) Revenue Recognition

Ricoh generates revenue principally through the sale of equipment, supplies and related services under separate contractual arrangements for each. 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. 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, installation 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 expenses 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. In accordance with Statement of Financial Accounting Standards ("SFAS") No.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.

#### **(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, 2004 and 2005, 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 fair market value by a charge to income for other than temporary declines in value. Factors considered in assessing whether an indication of other than temporary impairment exists with respect to available-for-sale securities include: length of time and extent of decline, financial condition and near term prospects of issuer and intent and ability of the Company to retain its investments for a period of time sufficient to allow for any anticipated recovery in market value. 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.

#### **(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 38% 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, 2003, 2004 and 2005 are summarized below:

	2003	2004	2005
Buildings	8.1%	8.1%	<b>8.5%</b>
Machinery and equipment	41.0	42.9	<b>43.8</b>

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, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Aggregate cost	¥7,151	<b>¥7,051</b>	<b>\$65,897</b>
Accumulated depreciation	4,504	<b>4,615</b>	<b>43,131</b>

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2005 were ¥4,020 million (\$37,570 thousand) and ¥3,804 million (\$35,551 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

SFAS No.141, "Business Combinations" 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 No.142, "Goodwill and Other Intangible Assets" 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 No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". 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. 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, 2004 and 2005 and determined that no goodwill impairment charge was necessary.

### (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

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.

#### (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 as of and for the years ended March 31, 2004 and 2005, 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 U.S. Dollars	
	2003	2004	2005	2005	2005
Conversion of convertible bonds	¥32,905	¥ -	¥ -	\$ -	\$ -
Capital lease obligations incurred	1,697	75	865	8,084	
Retirement of treasury stock	13,328	-	-	-	
Issuance of treasury stock in exchange for subsidiary's stock	-	3,930	2,545	23,785	
Transfer of marketable equity securities to employee retirement benefit trust	-	3,648	-	-	

#### (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 five 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 of securities, impairment of long-lived assets and goodwill, realizability of deferred tax assets and pension accounting.

#### (t) Reclassification to Prior Years' Consolidated Financial Statements

The accompanying consolidated balance sheet for the year ended March 31, 2004, reflects the reclassification of finance receivables expected to be collected within one year from the balance sheet date, or the current portion, previously included in investments and other assets to current assets to conform with the presentation used for the year ended March 31, 2005. The effect of this reclassification was to increase total current assets by ¥154,122 million from ¥871,817 million to ¥1,025,939 million at March 31, 2004. This reclassification had no effect on the consolidated statements of income and cash flows.

#### (u) New Accounting Standards

In March 2004, the EITF reached a consensus on EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." EITF 03-1 provides guidance on other than temporary impairment models for debt and marketable equity securities accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and non-marketable securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. The Financial Accounting Standards Board ("FASB") issued FASB Staff Position EITF 03-1-1 in September 2004 which delayed the effective date of the recognition and measurement provisions of EITF 03-1. The adoption of EITF 03-1 is not expected to have a material effect on the Company's consolidated results of operations and financial position.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling cost be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. In addition, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by Ricoh in the first quarter beginning April 1, 2006. Ricoh is currently determining the effect of SFAS 151 on the Ricoh's consolidated financial statements but does not expect the effect to be material.

### 3. ACQUISITION

In October 2004, the Company acquired all of the issued and outstanding capital stock of Hitachi Printing Solutions, Ltd. for total cash consideration of ¥44,085 million including direct acquisition costs. The company made the acquisition to strengthen and expand its printing operations. The acquired company was a non-public manufacturer and a subsidiary of Hitachi, Ltd. and was renamed Ricoh Printing Systems, Ltd. ("RPS") upon acquisition by the Company. The Company used the purchase method of accounting to account for the acquisition of RPS and, accordingly, the purchase price has been

allocated to the tangible and intangible net assets of RPS based on the estimated fair value of such net assets. The amount of consideration paid in excess of the estimated fair value of the net assets acquired of ¥19,583 million was recorded as goodwill. Assets, liabilities and operations of RPS have been included in the accompanying consolidated financial statements since the acquisition date.

The following table reflects the October 1, 2004 condensed balance sheet of RPS, as adjusted to give effect to the purchase method accounting adjustments:

	Millions of Yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 2,412	\$ 22,542
Receivables and other assets	31,463	294,047
Property and equipment	10,404	97,233
Identifiable intangible assets	20,400	190,654
Goodwill	19,583	183,019
Liabilities	(40,177)	(375,486)
	¥44,085	\$412,009

Identifiable intangible assets of RPS primarily comprise customer relationships of ¥13,900 million (\$129,907 thousand), which are estimated to have a remaining useful life of 5 to 12 years. Goodwill arising from the acquisition of RPS has all been allocated to the office equipment segment.

Furthermore, Ricoh acquired other immaterial entities during the year ended March 31, 2005 for consideration of ¥1,541 million (\$14,402 thousand), net of cash acquired.

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 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, 2004 and 2005 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, 2004 and 2005 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Minimum lease payments receivable	¥522,056	¥568,911	\$5,316,925
Estimated non-guaranteed residual value	2,432	3,030	28,318
Unearned income	(47,492)	(48,290)	(451,308)
Allowance for doubtful receivables	(14,404)	(15,199)	(142,047)
Lease receivables, net	462,592	508,452	4,751,888
Less: Current portion of lease receivable, net	(151,616)	(165,295)	(1,544,813)
Amounts due after one year, net	¥310,976	¥343,157	\$3,207,075

As of March 31, 2005, the minimum lease payments receivable due in each of the next five years and thereafter are as follows:

Years ending March 31	Thousands of	
	Millions of Yen	U.S. Dollars
2006	¥181,272	\$1,694,131
2007	156,743	1,464,888
2008	118,513	1,107,598
2009	73,263	684,701
2010	32,161	300,570
2011 and thereafter	6,959	65,037
<b>Total</b>	<b>¥568,911</b>	<b>\$5,316,925</b>

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, 2004 and 2005 was ¥51,455 million and ¥50,131 million (\$468,514 thousand), respectively. The current portions of loan receivables were ¥2,506 million and ¥1,341 million (\$12,533 thousand), respectively, as of March 31, 2004 and 2005, and are included in short-term finance receivables, net in the accompanying balance sheet. Loan activity for the years ended March 31, 2003, 2004 and 2005 is as follows:

	Millions of Yen			Thousands of
	2003	2004	2005	U.S. Dollars
Extension of new loans	¥11,559	¥13,686	<b>¥12,456</b>	<b>\$116,411</b>
Repayment of outstanding loans	9,993	12,706	<b>13,001</b>	<b>121,505</b>

Ricoh sold finance lease receivables in prior years 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, 2004 and 2005 were as follows:

	2004	2005
Expected credit losses	0.75% – 1.35%	<b>0.75% – 1.35%</b>
Discount rate	0.90% – 3.00%	<b>2.00% – 3.00%</b>

The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2005 are presented below.

	Millions of Yen	Thousands of
	2005	U.S. Dollars
Carrying value of retained interests (included in lease deposits and other in the consolidated balance sheet)	<b>¥5,373</b>	<b>\$50,215</b>
Expected credit losses:		
+10%	<b>84</b>	<b>785</b>
+20%	<b>168</b>	<b>1,570</b>
Discount rate:		
+10%	<b>20</b>	<b>187</b>
+20%	<b>40</b>	<b>374</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 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, 2003, 2004 and 2005:

	Millions of Yen			Thousands of
	2003	2004	2005	U.S. Dollars
Servicing fees received	¥ 37	¥ 25	<b>¥ 22</b>	<b>\$ 206</b>
Repurchases of delinquent or ineligible assets	5,750	4,643	<b>4,060</b>	<b>37,944</b>

Amounts of delinquencies, net credit losses, and components of all receivables managed and securitized as of March 31, 2004 and 2005, and for the years then ended, are as follows:

	Millions of Yen					
	2004			2005		
	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	¥524,981	¥1,025	¥3,284	<b>¥567,795</b>	<b>¥1,016</b>	<b>¥2,746</b>
Less: Receivables securitized	(47,985)			<b>(44,145)</b>		
Receivables held in portfolio	¥476,996			<b>¥523,650</b>		

	Thousands of U.S. dollars		
	2005		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	<b>\$5,306,495</b>	<b>\$9,495</b>	<b>\$25,664</b>
Less: receivables securitized	<b>(412,570)</b>		
Receivables held in portfolio	<b>\$4,893,925</b>		

## 5. SECURITIES

Marketable securities and investment securities as of March 31, 2004 and 2005 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Marketable securities:			
Available-for-sale securities	¥45,124	<b>¥138</b>	<b>\$1,290</b>
Investment securities:			
Available-for-sale securities	¥14,766	<b>¥24,205</b>	<b>\$226,215</b>
Non-marketable equity securities	7,105	<b>6,949</b>	<b>64,944</b>
	¥21,871	<b>¥31,154</b>	<b>\$291,159</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, 2004 and 2005 are as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2004				2005				2005			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	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	¥45,139	¥ 6	¥ 22	¥45,123	<b>¥ 137</b>	¥ -	¥ -	<b>¥137</b>	<b>\$1,281</b>	\$ -	\$ -	<b>\$1,281</b>
Other	1	-	-	1	<b>1</b>	-	-	<b>1</b>	<b>9</b>	-	-	<b>9</b>
	¥45,140	¥ 6	¥ 22	¥45,124	<b>¥ 138</b>	¥ -	¥ -	<b>¥ 138</b>	<b>\$1,290</b>	\$ -	\$ -	<b>\$1,290</b>
Non-current:												
Equity securities	¥5,053	¥8,080	¥ 33	¥13,100	<b>¥ 7,479</b>	<b>¥9,021</b>	¥ 49	<b>¥16,451</b>	<b>\$69,897</b>	<b>\$84,309</b>	<b>\$458</b>	<b>\$153,748</b>
Corporate debt securities	-	-	-	-	<b>6,000</b>	<b>45</b>	-	<b>6,045</b>	<b>56,075</b>	<b>420</b>	-	<b>56,495</b>
Other	1,174	492	-	1,666	<b>1,229</b>	<b>480</b>	-	<b>1,709</b>	<b>11,486</b>	<b>4,486</b>	-	<b>15,972</b>
	¥6,227	¥8,572	¥ 33	¥14,766	<b>¥14,708</b>	<b>¥9,546</b>	¥ 49	<b>¥24,205</b>	<b>\$137,458</b>	<b>\$89,215</b>	<b>\$458</b>	<b>\$226,215</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, 2005 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
<b>2005:</b>				
Noncurrent:				
Available-for-sale:				
Equity securities	¥ 157	¥ 49	-	-
	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
<b>2005:</b>				
Noncurrent:				
Available-for-sale:				
Equity securities	\$ 1,467	\$ 458	-	-

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2005, 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	¥ 137	¥ 137	\$ 1,281	\$ 1,281
Due after one year through five years	6,000	6,045	56,075	56,495
	¥6,137	¥6,182	\$57,356	\$57,776

Proceeds from the sales of available-for-sale securities were ¥24,513 million, ¥45,464 million and ¥118,120 million (\$1,103,925 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively. There were no significant realized gains or losses of available-for-sale securities for the three years ended March 31, 2005 except for the contributed marketable equity securities to the Company's employee benefit trust as discussed below. 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 were ¥3,648 million and ¥2,658 million, respectively.

In fiscal 2004, 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 to its employee retirement benefit trusts. Ricoh 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 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. In addition, Ricoh recognized in its fiscal 2004 consolidated statement of income a cumulative effect of accounting change, net of tax, of ¥7,373 million 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 21.3% 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 ¥36,603 million (\$342,084 thousand) as of March 31, 2005. The quoted market value of Ricoh's investment in this company was ¥41,650 million (\$389,252 thousand) as of March 31, 2005.

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 of ¥10,239 million and ¥12,713 million (\$118,813 thousand) at March 31, 2004 and 2005 respectively.

Summarized financial information for all affiliates as of March 31, 2004 and 2005 and for the years ended March 31, 2003, 2004 and 2005 is as follows:

### Financial Position

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
<b>Assets-</b>			
Current assets	¥104,916	<b>¥116,247</b>	<b>\$1,086,421</b>
Other assets	155,081	<b>164,170</b>	<b>1,534,299</b>
	¥259,997	<b>¥280,417</b>	<b>\$2,620,720</b>
<b>Liabilities and shareholders' investment-</b>			
Current liabilities	¥ 37,954	<b>¥37,426</b>	<b>\$349,776</b>
Other liabilities	12,170	<b>18,512</b>	<b>173,009</b>
Shareholders' investment	209,873	<b>224,479</b>	<b>2,097,935</b>
	¥259,997	<b>¥280,417</b>	<b>\$2,620,720</b>

## 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					
	2004			2005		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Other intangible assets subject to amortization:</b>						
Software	¥44,844	¥(20,286)	¥24,558	<b>¥58,681</b>	<b>¥(28,277)</b>	<b>¥30,404</b>
Trade name and customer base	12,699	(4,382)	8,317	<b>29,937</b>	<b>(6,877)</b>	<b>23,060</b>
Other	13,733	(4,802)	8,931	<b>18,287</b>	<b>(3,848)</b>	<b>14,439</b>
Total	71,276	(29,470)	41,806	<b>106,905</b>	<b>(39,002)</b>	<b>67,903</b>
Other intangible assets not subject to amortization			1,427			<b>1,511</b>
Total other intangible assets			¥43,233			<b>¥69,414</b>

### Operations

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Sales	¥338,035	¥317,512	<b>¥330,362</b>	<b>\$3,087,495</b>
Costs and expenses	327,139	307,665	<b>315,729</b>	<b>2,950,738</b>
Net income	¥ 10,896	¥ 9,847	<b>¥ 14,633</b>	<b>\$136,757</b>

The significant transactions of Ricoh with these affiliates for the years ended March 31, 2003, 2004 and 2005, and the related account balances at March 31, 2004 and 2005 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
<b>Transactions-</b>				
Sales	¥26,510	¥19,534	<b>¥19,365</b>	<b>\$180,981</b>
Purchases	19,808	18,714	<b>27,286</b>	<b>255,009</b>
Dividend income	1,236	1,064	<b>1,154</b>	<b>10,785</b>

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
<b>Account balances-</b>			
Receivables	¥3,530	<b>¥3,416</b>	<b>\$31,925</b>
Payables	2,217	<b>2,964</b>	<b>27,701</b>

As of March 31, 2005, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥42,900 million (\$400,935 thousand).

	Thousands of U.S. Dollars		
	<b>2005</b>		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	<b>\$548,421</b>	<b>\$(264,271)</b>	<b>\$284,150</b>
Trade name and customer base	<b>279,785</b>	<b>(64,271)</b>	<b>215,514</b>
Other	<b>170,906</b>	<b>(35,963)</b>	<b>134,943</b>
Total	<b>999,112</b>	<b>(364,505)</b>	<b>634,607</b>
Other intangible assets not subject to amortization			<b>14,122</b>
Total other intangible assets			<b>\$648,729</b>

Gross carrying amount of software was increased for the year ended March 31, 2005 mainly due to back-office information systems development. Other intangible assets subject to amortization other than software was increased for the year ended March 31, 2005 mainly due to acquisition as described in Note 3.

The aggregate amortization expense of other intangible assets subject to amortization for the years ended March 31, 2003, 2004 and 2005 were ¥6,993 million, ¥9,284 million and ¥11,405 million (\$106,589 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, 2005:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥15,313	\$143,112
2007	12,038	112,504
2008	9,531	89,075
2009	7,643	71,430
2010	2,993	27,972

The changes in the carrying amounts of goodwill for the year ended March 31, 2004 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Balance at beginning of year	¥28,109	<b>¥25,298</b>	<b>\$236,430</b>
Goodwill acquired during the year	383	<b>21,722</b>	<b>203,009</b>
Foreign exchange impact	(3,194)	<b>482</b>	<b>4,505</b>
Balance at end of year	¥25,298	<b>¥47,502</b>	<b>\$443,944</b>

As of March 31, 2005, the carrying value of all goodwill was allocated to the office equipment segment.

## 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, 2003, 2004 and 2005 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change:				
Domestic	¥ 84,946	¥ 98,162	<b>¥ 88,562</b>	<b>\$827,682</b>
Foreign	38,524	44,901	<b>46,821</b>	<b>437,579</b>
	¥123,470	¥143,063	<b>¥135,383</b>	<b>\$1,265,261</b>
Provision for income taxes-				
Current:				
Domestic	¥50,103	¥38,908	<b>¥28,081</b>	<b>\$262,439</b>
Foreign	13,080	14,395	<b>11,200</b>	<b>104,673</b>
	63,183	53,303	<b>39,281</b>	<b>367,112</b>
Deferred:				
Domestic	(9,043)	1,951	<b>8,737</b>	<b>81,654</b>
Foreign	(2,156)	1,387	<b>2,616</b>	<b>24,449</b>
	(11,199)	3,338	<b>11,353</b>	<b>106,103</b>
Consolidated provision for income taxes	¥51,984	¥56,641	<b>¥50,634</b>	<b>\$473,215</b>

Total income taxes are allocated as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Provision for income taxes	¥51,984	¥ 56,641	<b>¥50,634</b>	<b>\$473,215</b>
Shareholders' investment:				
Foreign currency translation adjustments	(826)	(1,334)	<b>3,378</b>	<b>31,570</b>
Unrealized gains (losses) on securities	(1,130)	(3,617)	<b>407</b>	<b>3,804</b>
Unrealized gains (losses) on derivatives	(9)	109	<b>97</b>	<b>906</b>
Minimum pension liability adjustment	(30,811)	49,733	<b>129</b>	<b>1,206</b>
Cumulative effect of accounting change	-	5,722	-	-
	¥19,208	¥107,254	<b>¥54,645</b>	<b>\$510,701</b>

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 8%, which in the aggregate resulted in the normal statutory tax rate of approximately 41%. Based on an enacted change in the Japanese tax laws in March 2003, the normal statutory tax rate was reduced to approximately 41% 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 normal statutory tax rate differs from the effective tax rate for the years ended March 31, 2003, 2004 and 2005 as a result of the following:

	2003	2004	2005
Normal statutory tax rate	42%	42%	<b>41%</b>
Nondeductible expenses	1	1	<b>1</b>
Tax benefits not recognized on operating losses of certain consolidated subsidiaries	3	2	<b>1</b>
Utilization of net operating loss carryforward not previously recognized	(4)	(1)	<b>(2)</b>
Tax credit for increased research and development expense	(1)	(3)	<b>(3)</b>
Effect of change in enacted tax rate	2	1	-
Other, net	(1)	(2)	<b>(1)</b>
Effective tax rate	42%	40%	<b>37%</b>

Nondeductible expenses include directors' bonuses and entertainment expenses.

The tax effects of temporary differences and carryforwards giving rise to the consolidated deferred income tax assets and liabilities as of March 31, 2004 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Assets:			
Accrued expenses	¥22,165	<b>¥20,717</b>	<b>\$193,617</b>
Property, plant and equipment	3,316	<b>3,458</b>	<b>32,318</b>
Accrued pension and severance costs	31,372	<b>33,781</b>	<b>315,710</b>
Net operating loss carryforwards	10,778	<b>5,993</b>	<b>56,009</b>
Other	29,655	<b>27,400</b>	<b>256,075</b>
	97,286	<b>91,349</b>	<b>853,729</b>
Less- Valuation allowance	(9,010)	<b>(7,079)</b>	<b>(66,159)</b>
	¥88,276	<b>¥84,270</b>	<b>\$787,570</b>
Liabilities:			
Sales-type leases	¥ (6,853)	<b>¥ (6,548)</b>	<b>\$(61,196)</b>
Undistributed earnings of foreign subsidiaries and affiliates	(15,602)	<b>(17,092)</b>	<b>(159,738)</b>
Net unrealized holding gains on available-for-sale securities	(4,390)	<b>(4,592)</b>	<b>(42,916)</b>
Basis difference of acquired intangible assets	(2,930)	<b>(11,482)</b>	<b>(107,308)</b>
Other	(7,039)	<b>(13,765)</b>	<b>(128,646)</b>
	¥(36,814)	<b>¥(53,479)</b>	<b>\$(499,804)</b>
Net deferred tax assets	¥ 51,462	<b>¥ 30,791</b>	<b>\$287,766</b>

Net deferred tax assets as of March 31, 2004 and 2005 are included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Deferred income taxes and other (Current Assets)	¥ 41,213	<b>¥37,812</b>	<b>\$353,383</b>
Lease deposits and other (Non-current Assets)	47,122	<b>42,393</b>	<b>396,196</b>
Accrued expenses and other (Current Liabilities)	(578)	<b>(647)</b>	<b>(6,047)</b>
Deferred income taxes (Long-Term Liabilities)	(36,295)	<b>(48,767)</b>	<b>(455,766)</b>
	¥ 51,462	<b>¥30,791</b>	<b>\$287,766</b>

The net changes in the total valuation allowance for the years ended March 31, 2003, 2004 and 2005 was decreases of ¥2,107 million, ¥183 million and ¥1,931 million (\$18,047 thousand), respectively. The valuation allowance primarily relates to deferred tax assets of the consolidated subsidiaries with net operating loss carryforwards for tax purposes that are not expected to be realized.

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 and whether loss carryforwards are utilizable. 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, 2005, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥17,530 million (\$163,832 thousand) which were available to reduce future income taxes, if any. Approximately ¥1,293 million (\$12,084 thousand) of the operating losses will expire within 3 years and ¥9,595 million (\$89,673 thousand) will expire within 4 to 7 years. The remainder principally have an indefinite carryforward period. The Company has not recognized a deferred tax liability for certain portion of the undistributed earnings of its foreign subsidiaries of ¥157,159 million (\$1,468,776 thousand) as of March 31, 2005 because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company no longer plans to permanently reinvest undistributed earnings. Calculation of related unrecognized deferred tax liability is not practicable.

## 9. SHORT-TERM BORROWINGS

Short-term borrowings as of March 31, 2004 and 2005 consist of the following:

	Weighted average interest rate	Millions of Yen		Thousands of U.S. Dollars
		2004	2005	2005
Borrowings, principally from banks	1.7%	¥19,359	<b>¥ 8,641</b>	<b>\$80,757</b>
Commercial paper	0.8	49,593	<b>30,069</b>	<b>281,019</b>
		¥68,952	<b>¥38,710</b>	<b>\$361,776</b>

The Company and certain of its subsidiaries enter into the contracts with financial institutions regarding lines of credit and overdrawing. Those same financial institutions hold the issuing programs of commercial paper and medium-term notes. Unused lines of credit amounted to ¥634,273 million and ¥689,993 million (\$6,448,533

thousand) as of March 31, 2004 and 2005, respectively, of which ¥182,764 million and ¥219,291 million (\$2,049,449 thousand) related to commercial paper and ¥131,966 million and ¥128,346 million (\$1,199,495 thousand) related to medium-term notes programs at prevailing interest rates.

## 10. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2004 and 2005 consists of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
<b>Bonds-</b>			
2.075%, straight bonds, payable in yen, due April 2005	¥ 40,000	<b>¥ 40,000</b>	<b>\$373,832</b>
0.87%, straight bonds, payable in yen, due March 2007	35,000	<b>35,000</b>	<b>327,103</b>
1.34%, straight bonds, payable in yen, due March 2009	25,000	<b>25,000</b>	<b>233,645</b>
1.17%, straight bonds, payable in yen, due June 2004 issued by a consolidated subsidiary	10,000	-	-
0.73%, straight bonds, payable in yen, due June 2006 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>93,458</b>
0.70%, straight bonds, payable in yen, due June 2007 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>93,458</b>
2.10%, straight bonds, payable in yen, due October 2009 issued by a consolidated subsidiary	10,000	<b>10,000</b>	<b>93,458</b>
Medium-term notes, 0.30% weighted average, due through 2015 issued by a consolidated subsidiary	16,000	<b>22,000</b>	<b>205,607</b>
<b>Total bonds</b>	<b>156,000</b>	<b>152,000</b>	<b>1,420,561</b>
<b>Unsecured loans-</b>			
Banks and insurance companies, 1.37% weighted average, due through 2011	200,361	<b>212,416</b>	<b>1,985,196</b>
<b>Secured loans-</b>			
Banks, insurance companies and other financial institution, 1.09% weighted average, due through 2013	1,410	<b>1,133</b>	<b>10,589</b>
Capital lease obligations (see Note 2(j))	3,141	<b>3,804</b>	<b>35,551</b>
<b>Total</b>	<b>360,912</b>	<b>369,353</b>	<b>3,451,897</b>
SFAS 133 fair value adjustment	2,868	<b>2,022</b>	<b>18,898</b>
Less- Current maturities included in current liabilities	(82,210)	<b>(144,808)</b>	<b>(1,353,346)</b>
	<b>¥281,570</b>	<b>¥226,567</b>	<b>\$2,117,449</b>

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥3,312 million (\$30,953 thousand) as of March 31, 2005.

All bonds outstanding as of March 31, 2005 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, 2005. 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, 2005 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥144,572	\$1,351,140
2007	100,418	938,486
2008	54,105	505,654
2009	34,105	318,738
2010	34,561	323,000
2011 and thereafter	1,592	14,879
<b>Total</b>	<b>¥369,353</b>	<b>\$3,451,897</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 were 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 an amount 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. 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. These gains and losses were included in operating income. In addition to the 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 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, 2004 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Change in benefit obligation:			
Benefit obligation at beginning of year	¥522,275	<b>¥308,004</b>	<b>\$2,878,542</b>
Service cost	15,694	<b>14,762</b>	<b>137,963</b>
Interest cost	12,719	<b>9,218</b>	<b>86,150</b>
Plan participants' contributions	171	<b>457</b>	<b>4,271</b>
Amendments	(53,563)	<b>(91)</b>	<b>(851)</b>
Actuarial loss (benefit)	(7,420)	<b>2,697</b>	<b>25,205</b>
Settlement	(164,522)	<b>(4,316)</b>	<b>(40,336)</b>
Benefits paid	(15,378)	<b>(19,818)</b>	<b>(185,215)</b>
Foreign exchange impact	(1,972)	<b>3,572</b>	<b>33,383</b>
Benefit obligation assumed in connection with business acquisition	–	<b>23,716</b>	<b>221,645</b>
Benefit obligation at end of year	¥308,004	<b>¥338,201</b>	<b>\$3,160,757</b>

Thousands of  
U.S. Dollars

	Millions of Yen		2005
	2004	2005	
Change in plan assets:			
Fair value of plan assets at beginning of year	¥235,346	¥210,976	\$1,971,738
Actual return on plan assets	43,980	9,401	87,860
Employer contribution	16,472	12,359	115,505
Plan participants' contributions	171	457	4,271
Settlement	(72,812)	(3,192)	(29,832)
Benefits paid	(10,960)	(13,534)	(126,486)
Foreign exchange impact	(1,221)	2,783	26,009
Plan assets acquired in connection with business acquisition	–	15,911	148,701
Fair value of plan assets at end of year	¥210,976	¥235,161	\$2,197,766

Funded status	¥(97,028)	¥(103,040)	\$ (962,990)
Unrecognized net actuarial loss	111,528	102,851	961,224
Unrecognized prior service cost	(61,599)	(57,134)	(533,963)
Unrecognized net asset at transition, net of amortization	(1,435)	(984)	(9,196)
Net amount recognized	¥(48,534)	¥ (58,307)	\$ (544,925)

Amounts recognized in the balance sheets consist of:

Prepaid benefit cost	¥ –	¥ 28	\$ 262
Accrued benefit liability	(78,851)	(87,939)	(821,860)
Intangible assets	92	111	1,037
Accumulated other comprehensive income, gross of tax	30,225	29,493	275,636
Net amount recognized	¥(48,534)	¥(58,307)	\$ (544,925)
Accumulated benefit obligations	¥283,548	¥313,715	\$2,931,916

Weighted-average assumptions used to determine benefit obligations at March 31, 2004 and 2005 were as follows:

	2004	2005
Discount rate	2.9%	3.0%
Rate of compensation increase	3.4%	3.5%

Weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2003, 2004 and 2005 were as follows:

	2003	2004	2005
Discount rate	3.3%	2.6%	2.9%
Rate of compensation increase	3.4%	3.4%	3.4%
Expected long-term return on plan assets	3.6%	2.5%	2.9%

The net periodic benefit costs of the pension plans for the three years ended March 31, 2005 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Service cost	¥16,943	¥15,694	¥14,762	\$137,963
Interest cost	14,292	12,719	9,218	86,150
Expected return on plan assets	(9,763)	(5,872)	(6,571)	(61,412)
Net amortization	5,081	10,805	1,648	15,402
Settlement loss (benefit)	(35)	(2,537)	(980)	(9,159)
Total net periodic pension cost	¥26,518	¥30,809	¥18,077	\$168,944

In accordance with the provisions of SFAS 87, Ricoh has recorded an adjustment for minimum pension liability at March 31, 2004 and 2005. 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 and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	2005
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	¥308,004	<b>¥338,201</b>	<b>\$3,160,757</b>
Fair value of plan assets	210,976	<b>235,161</b>	<b>2,197,766</b>
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	¥229,387	<b>¥228,695</b>	<b>\$2,137,336</b>
Fair value of plan assets	194,654	<b>196,723</b>	<b>1,838,533</b>

Ricoh's benefit plan asset allocation at March 31, 2004 and 2005 are as follows:

	2004	2005
Equity securities	50.3%	<b>48.5%</b>
Debt securities	14.6%	<b>27.1%</b>
Life insurance company general accounts	15.4%	<b>14.8%</b>
Other	19.7%	<b>9.6%</b>
Total	100.0%	<b>100.0%</b>

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.

Common stock and bonds of the Company and certain of its domestic subsidiaries included in plan assets were immaterial at March 31, 2004 and 2005.

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.

Ricoh uses a December 31 measurement date for the pension plans.

Ricoh expects to contribute ¥12,260 million (\$114,579 thousand) to its pension plan for the year ended March 31, 2006.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥11,559	\$108,028
2007	13,342	124,691
2008	16,382	153,103
2009	17,151	160,290
2010	17,657	165,019
2011 – 2015	84,421	788,981

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. The Japanese Commercial Code also provides that to the extent that the sum of the additional paid-in capital and the legal reserve exceeds 25% of the stated capital, the amount of the excess (if any) is available for appropriations by the resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries. Legal reserves included in retained earnings as of March 31, 2004 and 2005 were ¥16,894 million and ¥17,053 million (\$159,374 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 28, 2005, the shareholders will be asked to approve the declaration of a cash dividend (¥10 per share) on the common stock totaling ¥7,348 million (\$68,673 thousand), which will be paid to shareholders of record as of March 31, 2005. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2005.

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 ¥325,534 million (\$3,042,374 thousand) as of March 31, 2005.

## 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>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 gains (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 gains (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

	Millions of Yen		
	Before-tax amount	Tax expense	Net-of-tax amount
<b>2005:</b>			
Foreign currency translation adjustments	<b>¥12,419</b>	<b>¥(3,378)</b>	<b>¥9,041</b>
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	<b>1,024</b>	<b>(347)</b>	<b>677</b>
Less- Reclassification adjustment for (gains) losses realized in net income	<b>148</b>	<b>(60)</b>	<b>88</b>
Net unrealized gains (losses)	<b>1,172</b>	<b>(407)</b>	<b>765</b>
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	<b>45</b>	<b>(17)</b>	<b>28</b>
Less- Reclassification adjustment for (gains) losses realized in net income	<b>193</b>	<b>(80)</b>	<b>113</b>
Net unrealized gains (losses)	<b>238</b>	<b>(97)</b>	<b>141</b>
Minimum pension liability adjustment	<b>156</b>	<b>(129)</b>	<b>27</b>
Other comprehensive income (loss)	<b>¥13,985</b>	<b>¥(4,011)</b>	<b>¥9,974</b>

	Thousands of U.S. Dollars		
	Before-tax amount	Tax expense	Net-of-tax amount
<b>2005:</b>			
Foreign currency translation adjustments	<b>\$116,065</b>	<b>\$(31,570)</b>	<b>\$84,495</b>
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	<b>9,570</b>	<b>(3,243)</b>	<b>6,327</b>
Less- Reclassification adjustment for (gains) losses realized in net income	<b>1,383</b>	<b>(560)</b>	<b>823</b>
Net unrealized gains (losses)	<b>10,953</b>	<b>(3,803)</b>	<b>7,150</b>
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	<b>421</b>	<b>(159)</b>	<b>262</b>
Less- Reclassification adjustment for (gains) losses realized in net income	<b>1,804</b>	<b>(748)</b>	<b>1,056</b>
Net unrealized gains (losses)	<b>2,225</b>	<b>(907)</b>	<b>1,318</b>
Minimum pension liability adjustment	<b>1,458</b>	<b>(1,206)</b>	<b>252</b>
Other comprehensive income (loss)	<b>\$130,701</b>	<b>\$(37,486)</b>	<b>\$93,215</b>

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

	Millions of Yen				
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivatives	Minimum pension liability adjustment	Total Accumulated other comprehensive income (loss)
<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)
<b>2005:</b>					
Beginning balance	<b>¥(19,411)</b>	<b>¥4,026</b>	<b>¥(24)</b>	<b>¥(14,863)</b>	<b>¥(30,272)</b>
Adjustment for change in fiscal year end of consolidated subsidiaries	<b>(1,849)</b>	–	–	<b>184</b>	<b>(1,665)</b>
Change during the year	<b>9,041</b>	<b>765</b>	<b>141</b>	<b>27</b>	<b>9,974</b>
Ending balance	<b>¥(12,219)</b>	<b>¥4,791</b>	<b>¥117</b>	<b>¥(14,652)</b>	<b>¥(21,963)</b>

	Thousands of U.S. Dollars				
<b>2005:</b>					
Beginning balance	\$ <b>(181,411)</b>	\$ <b>37,626</b>	\$ <b>(224)</b>	\$ <b>(138,907)</b>	\$ <b>(282,916)</b>
Adjustment for change in fiscal year end of consolidated subsidiaries	<b>(17,280)</b>	–	–	<b>1,720</b>	<b>(15,560)</b>
Change during the year	<b>84,495</b>	<b>7,150</b>	<b>1,318</b>	<b>252</b>	<b>93,215</b>
Ending balance	\$ <b>(114,196)</b>	\$ <b>44,776</b>	\$ <b>1,094</b>	\$ <b>(136,935)</b>	\$ <b>(205,261)</b>

#### 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		
	2003	2004	2005
Weighted average common shares outstanding	726,660	742,293	<b>738,160</b>
Effect of dilutive securities:			
Convertible bonds-			
0.35%, payable in yen, due March 2003	23,250	–	–
Diluted common shares outstanding	749,910	742,293	<b>738,160</b>

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Income before cumulative effect of accounting change applicable to common shareholders	¥72,513	¥84,393	<b>¥83,143</b>	<b>\$777,037</b>
Effect of dilutive securities:				
Convertible bonds-				
0.35%, payable in yen, due March 2003	86	–	–	–
Diluted income before cumulative effect of accounting change	¥72,599	¥84,393	<b>¥83,143</b>	<b>\$777,037</b>
Cumulative effect of accounting change, net of tax	¥ –	¥ 7,373	¥ –	\$ –
Net income applicable to common shareholders	¥72,513	¥91,766	<b>¥83,143</b>	<b>\$777,037</b>
Effect of dilutive securities:				
Convertible bonds-				
0.35%, payable in yen, due March 2003	86	–	–	–
Diluted net income	¥72,599	¥91,766	<b>¥83,143</b>	<b>\$777,037</b>

	Yen			U.S. Dollars
	2003	2004	2005	2005
Earnings per share:				
Basic				
Income before cumulative effect of accounting change	¥ 99.79	¥113.69	<b>¥112.64</b>	<b>\$ 1.05</b>
Cumulative effect of accounting change	–	9.94	–	–
Net income	99.79	123.63	<b>112.64</b>	<b>1.05</b>
Diluted:				
Income before cumulative effect of accounting change	96.81	113.69	<b>112.64</b>	<b>1.05</b>
Cumulative effect of accounting change	–	9.94	–	–
Net income	96.81	123.63	<b>112.64</b>	<b>1.05</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 those 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, 2003, 2004 and 2005 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, 2003, 2004 and 2005 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 ¥32 million (\$299 thousand) of the balance of accumulated other comprehensive income as of March 31, 2005.

### 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, 2005, Ricoh had outstanding contractual commitments for acquisition or construction of plant, equipment and other assets aggregating ¥12,550 million (\$117,290 thousand).

As of March 31, 2005, Ricoh was also contingently liable as guarantor for employees' housing loans of ¥230 million (\$2,150 thousand), all of which were issued before January 1, 2003.

Ricoh made rental payments totaling ¥41,024 million, ¥40,339 million and ¥39,000 million (\$364,486 thousand) for the years ended March

31, 2003, 2004 and 2005, respectively, under operating lease agreements for office space and machinery and equipment, which are primarily cancelable and renewable.

As of March 31, 2005, 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, 2004 and 2005 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	
	2004		2005		2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Marketable securities and						
Investment securities	¥ 66,995	¥ 66,995	¥ 31,292	¥ 31,292	\$292,449	\$292,449
Installment loans	51,455	51,626	50,131	50,292	468,514	470,019
Long-term indebtedness	(281,570)	(284,528)	(226,567)	(228,839)	(2,117,449)	(2,138,682)
Interest rate swap agreements, net	2,266	2,266	1,683	1,683	15,729	15,729
Foreign currency contracts, net	1,876	1,876	181	181	1,692	1,692
Foreign currency options, net	(145)	(145)	(813)	(813)	(7,598)	(7,598)

### 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, 2003, 2004 and 2005.

### (a) Operating Segment Information

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Sales-				
Office equipment	¥1,520,574	¥1,557,633	<b>¥1,591,828</b>	<b>\$14,876,897</b>
Other	220,539	225,074	<b>224,786</b>	<b>2,100,803</b>
Intersegment transaction	(2,755)	(2,462)	<b>(2,506)</b>	<b>(23,420)</b>
Consolidated	¥1,738,358	¥1,780,245	<b>¥1,814,108</b>	<b>16,954,280</b>
Operating Expenses-				
Office equipment	¥1,329,776	¥1,353,304	<b>¥1,400,121</b>	<b>\$13,085,243</b>
Other	222,772	220,391	<b>224,241</b>	<b>2,095,710</b>
Intersegment transaction	(2,726)	(2,494)	<b>(2,475)</b>	<b>(23,131)</b>
Unallocated expense	54,882	59,038	<b>56,715</b>	<b>530,047</b>
Consolidated	¥1,604,704	¥1,630,239	<b>¥1,678,602</b>	<b>\$15,687,869</b>
Operating Income-				
Office equipment	¥190,798	¥204,329	<b>¥191,707</b>	<b>\$1,791,654</b>
Other	(2,233)	4,683	<b>545</b>	<b>5,093</b>
Elimination and unallocated expense	(54,911)	(59,006)	<b>(56,746)</b>	<b>(530,336)</b>
Consolidated	¥133,654	¥150,006	<b>¥135,506</b>	<b>\$1,266,411</b>
Other Expenses	¥(10,184)	¥(6,943)	<b>¥(123)</b>	<b>\$(1,150)</b>
Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change	¥123,470	¥143,063	<b>¥135,383</b>	<b>\$1,265,261</b>

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
<b>Total Assets-</b>				
Office equipment	¥1,198,706	¥1,220,747	<b>¥1,391,483</b>	<b>\$13,004,514</b>
Other	176,296	182,532	<b>164,337</b>	<b>1,535,860</b>
Elimination	(6,908)	(8,047)	<b>(10,174)</b>	<b>(95,084)</b>
Corporate assets	516,828	457,561	<b>408,023</b>	<b>3,813,299</b>
Consolidated	¥1,884,922	¥1,852,793	<b>¥1,953,669</b>	<b>\$18,258,589</b>
<b>Expenditure for segment assets-</b>				
Office equipment	¥65,720	¥65,366	<b>¥72,923</b>	<b>\$681,523</b>
Other	7,213	8,712	<b>9,675</b>	<b>90,421</b>
Corporate assets	1,023	1,429	<b>2,103</b>	<b>19,654</b>
Consolidated	¥73,956	¥75,507	<b>¥84,701</b>	<b>\$791,598</b>
<b>Depreciation-</b>				
Office equipment	¥60,687	¥57,956	<b>¥57,020</b>	<b>\$532,897</b>
Other	6,917	7,774	<b>6,504</b>	<b>60,785</b>
Corporate assets	1,954	1,954	<b>3,272</b>	<b>30,580</b>
Consolidated	¥69,558	¥67,684	<b>¥66,796</b>	<b>\$624,262</b>

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 by location for the years ended March 31, 2003, 2004 and 2005 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
<b>Sales-</b>				
Japan	¥ 896,022	¥ 914,060	<b>¥ 972,975</b>	<b>\$9,093,224</b>
The Americas	343,940	326,380	<b>325,597</b>	<b>3,042,963</b>
Europe	354,477	402,392	<b>408,906</b>	<b>3,821,551</b>
Other	143,919	137,413	<b>106,630</b>	<b>996,542</b>
Consolidated	¥1,738,358	¥1,780,245	<b>¥1,814,108</b>	<b>\$16,954,280</b>
<b>Long-Lived Assets-</b>				
Japan	¥251,214	¥248,277	<b>¥298,192</b>	<b>\$2,786,841</b>
The Americas	71,850	62,617	<b>65,634</b>	<b>613,402</b>
Europe	34,062	31,000	<b>34,844</b>	<b>325,645</b>
Other	11,742	10,093	<b>10,539</b>	<b>98,495</b>
Consolidated	¥368,868	¥351,987	<b>¥409,209</b>	<b>\$3,824,383</b>

Ricoh's long-lived assets comprise property, plant and equipment, goodwill, other intangible assets, 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, 2003, 2004 and 2005. 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
	2003	2004	2005	2005
Sales-				
Japan				
External customers	¥ 954,310	¥ 962,127	¥ 994,499	\$9,294,383
Intersegment	320,596	351,070	392,216	3,665,570
Total	1,274,906	1,313,197	1,386,715	12,959,953
The Americas				
External customers	333,935	315,504	322,975	3,018,458
Intersegment	5,620	5,249	7,486	69,963
Total	339,555	320,753	330,461	3,088,421
Europe				
External customers	352,943	400,646	412,333	3,853,579
Intersegment	3,019	3,770	3,310	30,935
Total	355,962	404,416	415,643	3,884,514
Other				
External customers	97,170	101,968	84,301	787,860
Intersegment	72,664	91,373	89,647	837,822
Total	169,834	193,341	173,948	1,625,682
Elimination of intersegment sales	(401,899)	(451,462)	(492,659)	(4,604,290)
Consolidated	¥1,738,358	¥1,780,245	¥1,814,108	\$16,954,280
Operating Expenses-				
Japan	¥1,188,760	¥1,215,875	¥1,298,640	\$12,136,822
The Americas	325,228	305,284	316,651	2,959,356
Europe	337,693	382,383	391,271	3,656,738
Other	159,864	182,870	162,042	1,514,411
Elimination of intersegment sales	(406,841)	(456,173)	(490,002)	(4,579,458)
Consolidated	¥1,604,704	¥1,630,239	¥1,678,602	\$15,687,869
Operating Income-				
Japan	¥ 86,146	¥ 97,322	¥ 88,075	\$823,131
The Americas	14,327	15,469	13,810	129,065
Europe	18,269	22,033	24,372	227,776
Other	9,970	10,471	11,906	111,271
Elimination of intersegment profit	4,942	4,711	(2,657)	(24,832)
Consolidated	¥133,654	¥150,006	¥135,506	\$1,266,411
Other Expenses	¥(10,184)	¥(6,943)	¥(123)	\$(1,150)
Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change	¥123,470	¥143,063	¥135,383	\$1,265,261
Total Assets-				
Japan	¥1,064,857	¥1,071,297	¥1,187,190	\$11,095,234
The Americas	201,359	188,644	206,979	1,934,382
Europe	174,541	188,184	228,568	2,136,150
Other	70,458	63,701	66,319	619,804
Elimination	(143,121)	(116,594)	(143,410)	(1,340,280)
Corporate assets	516,828	457,561	408,023	3,813,299
Consolidated	¥1,884,922	¥1,852,793	¥1,953,669	\$18,258,589

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, 2003, 2004 and 2005.

## 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, 2003, 2004 and 2005:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2004	2005	2005
Research and development costs	¥83,551	¥92,515	<b>¥110,478</b>	<b>\$1,032,505</b>
Advertising costs	16,958	17,950	<b>16,442</b>	<b>153,664</b>
Shipping and handling costs	12,582	12,352	<b>14,043</b>	<b>131,243</b>

# 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, 2004 and 2005, 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, 2005, 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, 2004 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2005 have been translated into United States dollars solely for the convenience of the reader. We have audited 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 27, 2005