Financial Section

Management's Discussion and Analysis of Fiscal 2006 Results

Revenues

The Ricoh Group's consolidated net sales for fiscal year 2006 (extending from April 1, 2005 to March 31, 2006) increased 5.6% from the previous corresponding period to ¥1,915.0 billion ($16,368 million). This marks the twelfth consecutive year of year-on-year revenue growth. During this period, the average yen exchange rates were at ¥113.26 against the U.S. dollar (down ¥5.68) and ¥137.86 against the euro (down ¥2.61). Accordingly, the sales would have increased by 3.8% excluding the effects of such foreign currency fluctuations.

As for sales, domestic sales of Imaging Solutions increased by 3.8% from the previous corresponding period. This was primarily due to the continuous increase in sales of digital PPCs(plain paper copiers), MFPs (multifunctional printers) and laser printers - especially color products. On the other hand, sales of personal computers and servers, optical equipments, which were in sluggish demand, and some of Other decreased. As a result, domestic sales decreased by 0.1% from the previous corresponding period to ¥972.0 billion ($8,308 million).

Overseas sales of Imaging Solutions increased. Influenced by the depreciation of the yen, the sales of Imaging Solutions increased by 12.1% from the previous corresponding period. In the Americas, the increase in sales was largely driven by sales of digital PPCs, color PPCs, MFPs and laser printers had good result. In Europe and Other, the sales of these products also increased. The increase in sales of the Industrial Products was due to the recovery of demand for semiconductor, which was offset by a decrease in the optical discs business as we withdrew from a part of the business during the previous fiscal year. As a result, overseas net sales increased by 12.1% from the previous corresponding period to ¥943.0 billion ($8,060 million). Excluding effects of foreign currency fluctuations, net sales in overseas would have increased by 8.2% from the previous corresponding period.

Ricoh has expanded the presentation of net sales and cost of sales in the consolidated statements of income from fiscal year 2006 to present separate line-items for (i) Products, (ii) Post sales and rentals and (iii) Other revenue. Consolidated statements of income for the fiscal years 2004 and 2005 have also been presented to conform to current presentation.

Operating Income

Gross profit increased by 6.0% from the previous corresponding period to ¥799.6 billion ($6,834 million). This increase was primarily due to the effect of new launched products, increased sales of value-added high-margin products such as MFPs and laser printers, a completed cost management system from the product development stage and successful implementation of effective cost-cutting activities for logistics, manufacturing and so on.

Selling, general and administrative expenses increased by 4.6% from the previous corresponding period to ¥647.5 billion ($5,535 million). This consisted of strategic expenses as follows: R&D expenses of ¥110.3 billion ($943 million, 5.8% compared to the sales) including new product developments, increased sales expenses accompanying the increased sales; integration of headquarters operations and domestic R&D facilities and offices; enhanced sales and marketing structure overseas; expenses on Information Technologies for the core operating system development in Japan, overseas and so on.

As a result, operating income increased by 12.2% from the previous corresponding period to ¥152.0 billion ($1,299 million).

Income before Income Taxes:

In the other (income) expenses, we had financial improvement and an increase in gain from foreign exchange. As a result, income before income taxes increased 15.4% from the previous corresponding period to ¥156.1 billion ($1,335 million).

Net Income

Income taxes were affected by tax exemption of R&D expenses and expenditures for Information Technologies.

As a result, net income for the period increased by 16.7% to ¥97.0 billion ($829 million), recording the best net income.

We raised cash dividends paid per share of common stock to ¥22.00 ($0.19), an increase for the sixth consecutive year.

Segment Information

CONSOLIDATED SALES BY PRODUCT LINE

1. Office Solutions

The sales of color PPCs, MFPs and laser printers in Japan and overseas increased. We responded to our customers needs to improve or upgrade the technology used in their business, which are accompanied by the advancement of digitalized and networked and computerized information, coloration and massive quantities. In order to support the efficient and effective management of customers' TDV (total document volume), the Ricoh Group is promoting the optimization of the customers' total printing cost. Although the sales of personal computers and servers decreased, net sales in the Office Solutions increased by 6.9% from the previous corresponding period to ¥1,637.2 billion ($13,993 million).

Imaging Solutions

Although domestic sales of digital PPCs decreased due primarily to a shift in customers needs to MFPs from stand-alone products, overseas sales of digital PPCs continued to perform well. The sales of color PPCs increased in Japan and overseas by our effort to continuous offer of new product line-up.

As for MFPs, the following new product lineups were offered in response to customers needs for high speed, networking and coloration, resulting in the continuous sales increase.

The sales of laser printers continued to increase in Japan and overseas. As a result, sales in this category increased by 8.6%.

Network System Solutions

The sales of Solution Business such as support and services continue to increase both in Japan and overseas due to our successful promotion of optimizing the customers' total printing cost. However, the sales of personal computers and servers continue to decrease in Japan. As a result, the sales in this category decreased by 4.3% from the previous corresponding period to ¥190.5 billion ($1,629 million).

2. Industrial Products

Net sales in the Industrial Products increased by 1.0%, as compared to the previous corresponding period to ¥120.6 billion ($1,031 million). The sales of thermal media business and electric component business increased and the demand for semiconductor products is recovering; however, the sales of optical equipment business decreased due to a sluggish demand.

3. Other

The digital camera business performed well. During the previous corresponding period, the withdrawal from the self-developed drive business and its key-module/parts business in optical discs business was executed; therefore, its sales for this period decreased especially overseas. There was a sale of non-core business subsidiary in Japan. As a result, sales in this segment decreased by 3.7% from the previous corresponding period to ¥157.2 billion ($1,344 million).

SALES BY PRODUCT LINE

	2005		**2006**		
	Millions of Yen	Percentage of net sales	Millions of Yen	Percentage of net sales	Thousands of U.S.Dollars
Office Solutions					
Imaging Solutions	¥1,332,299	73.4%	**¥1,446,635**	**75.5%**	**$12,364,402**
Network System Solutions	199,129	11.0	**190,593**	**10.0**	**1,629,000**
Industrial Products	119,408	6.6	**120,636**	**6.3**	**1,031,077**
Other	163,272	9.0	**157,226**	**8.2**	**1,343,812**
Total	¥1,814,108	100.0%	**¥1,915,090**	**100.0%**	**$16,368,291**

CONSOLIDATED SALES BY GEOGRAPHIC AREA

1. Japan

As for the economy in Japan, the stock market, capital investment and corporate performance showed a recovery; however, it was affected by the escalating prices of materials and crude oil and overall demand in the market was below our expectations. In Office Solutions, the sales of Imaging Solutions, including color PPCs, MFPs and laser printers, and solutions business, such as support and services, increased due to the implementation of the product and sales strategies to meet our customers' needs. This increase in sales was offset by the decreased sales of the stand-alone products due to the transition to MFPs and color products and personal computers and servers. The sales in the Office Solutions increased by 1.3% from the previous corresponding period. The sales of Industrial Products decreased from the previous corresponding period due to the lower demand in optical equipment business and the sale of non-core business subsidiary. As a result, the sales in Japan decreased by 0.1% from the previous corresponding period to ¥972.0 billion ($8,308 million).

2. The Americas

The economy in the Americas continued good condition even though they were repeatedly affected by hurricanes. However, the competition in the market became more intense. In such conditions, we focused on expanding our sales of MFPs and laser printers, which met the change of customers' needs for color PPCs, networked, coloration and high speed, utilizing the improved and enhanced sales to major accounts. As a result, the sales in the Americas increased by 19.0% from the previous corresponding period to ¥387.4 billion ($3,311 million). Excluding the effects of the depreciation of the yen to dollar, the sales in the Americas would have increased by 13.0% from the previous corresponding period.

3. Europe

The economy in Europe was relatively stable, however, the competition in each country's market was intensifying. Under such circumstance, our sales of MFPs and laser printers increased and we maintained the first place in terms of market share in the sales of office machines in Europe. Influenced by the effects of the depreciation of the yen to euro, the sales in Europe would have increased by 6.3% from the previous corresponding period to ¥434.8 billion ($3,716 million).

4. Other

In other regions including China and Asian countries, the need for coloration and MFPs for office equipment were accelerating. Our MFPs and laser printers, which met such customers' needs, increased their sales. Additionally, the demand for semiconductor recovered. As a result, the sales in Other increased by 13.3% to from the previous corresponding period ¥120.8 billion ($1,032 million).

SALES BY GEOGRAPHIC AREA

	2005		**2006**		
	Millions of Yen	Percentage of net sales	Millions of Yen	Percentage of net sales	Thousands of U.S.Dollars
Japan	¥ 972,975	53.6%	**¥ 972,076**	**50.8%**	**$8,308,342**
The Americas	325,597	17.9	**387,412**	**20.2**	**3,311,214**
Europe	408,906	22.5	**434,800**	**22.7**	**3,716,239**
Other	106,630	6.0	**120,802**	**6.3**	**1,032,496**
Total	¥1,814,108	100.0%	**¥1,915,090**	**100.0%**	**$16,368,291**

Financial Position

As for Assets, tangible fixed assets increased due to increase of capital expenditure, while finance receivables increased due to increase of domestic sales. Investments and other assets increased as a result of recognizing other intangible assets. Consequently, total assets increased ¥87.5 billion to ¥2,041.1 billion ($17,446 million).

As for Liabilities, trade payables increased. Interest-bearing debt decreased as a result of effective cash management in the Ricoh group. In addition, other current liabilities increased as a result of increased tax reserve. Accrued pension and severance costs increased. As a result, total liabilities decreased ¥11.4 billion to ¥1,028.0 billion ($8,787 million).

In Shareholders' Investment, there was no major change in common stock or additional paid-in capital. Retained earnings increased. Accumulated other comprehensive income and treasury stock increased. As a result, total shareholders' equity increased by ¥97.2 billion to ¥960.2 billion ($8,207 million).

Cash Flows

Net cash provided by operating activities increased by ¥44.0 billion from the end of the previous corresponding period, to ¥176.8 billion ($1,512 million). It was a result of the fact that net income and depreciation increased and the fact that the decrease of trade receivables and inventories compensated for the increase of finance receivables due to the sales growth.

Net cash used in investing activities increased by ¥23.8 billion from the end of the previous corresponding period, to ¥120.0 billion ($1,026 million), due primarily to capital investments to reinforce production lines for new products and to consolidate the headquarters operations and the R&D facilities and offices.

As a result, free cash flow generated by operating activities and investment activities increased ¥20.2 billion from the previous corresponding period to ¥56.8 billion ($486 million).

Outgoing cash flow was incurred for reducing interest-bearing debt by encouraging financing between the group companies, ¥16.1 billion ($138 million) for payment of dividends, and ¥10.6 billion ($91 million) for acquisition of treasury stock. As a result, the net cash used in financing activities amounted to ¥59.9 billion ($513 million).

As a result of the above, the ending balance of cash and cash equivalents increased ¥0.1 billion from the end of the previous corresponding period to ¥187.0 billion ($1,599 million).

Capital Expenditures

Ricoh's capital expenditures for the fiscal years 2004, 2005 and 2006 were ¥75.5 billion, ¥84.7 billion and ¥102.0 billion ($871 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

LONG-TERM INDEBTEDNESS

(Excluding Capital Lease Obligations and SFAS No. 133 fair value adjustment)

		Millions of Yen							
			Expected maturity date						
	Average pay rate	Total	2007	2008	2009	2010	2011	2012 and thereafter	Fair Value
Bonds	1.10%	**¥100,000**	¥45,000	¥10,000	¥25,000	¥20,000	¥ -	¥ -	¥100,304
Medium-Term Notes	0.17	**10,000**	10,000	-	-	-	-	-	10,000
Loans	1.43	**184,751**	46,930	68,186	33,703	26,638	8,012	1,282	184,553
Total		**¥294,751**	¥101,930	¥78,186	¥58,703	¥46,638	¥8,012	¥1,282	¥294,857

		Thousand of U.S. Dollars							
			Expected maturity date						
	Average pay rate	Total	2007	2008	2009	2010	2011	2012 and thereafter	Fair Value
Bonds	1.10%	**$ 854,701**	$ 384,616	$ 85,470	$ 213,675	$ 170,940	$ -	$ -	$ 857,299
Medium-Term Notes	0.17	**85,470**	85,470	-	-	-	-	-	85,470
Loans	1.43	**1,579,068**	401,111	582,786	288,060	227,675	68,479	10,957	1,577,376
Total		**$2,519,239**	$ 871,197	$668,256	$ 501,735	$ 398,615	$ 68,479	$ 10,957	$2,520,145

INTEREST RATE SWAPS

				Millions of Yen							
					Expected maturity date						
Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	2007	2008	2009	2010	2011	2012 and thereafter	Fair Value
¥ 37,000	Receive floating/Pay fixed	0.37%	0.10%	**¥ 37,000**	¥ 22,000	¥10,000	¥ 5,000	¥ -	¥ -	¥ -	¥ 553
25,000	Receive fixed/Pay floating	1.90	0.10	**25,000**	1,000	6,000	10,000	8,000	-	-	129
US$ 190	Receive floating /Pay fixed	5.13%	4.64%	**¥ 22,319**	¥ 22,319	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 493

				Thousand of U.S. Dollars							
					Expected maturity date						
Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	2007	2008	2009	2010	2011	2012 and thereafter	Fair Value
¥ 37,000	Receive floating/Pay fixed	0.37%	0.10%	**$316,239**	$188,034	$85,470	$42,735	$ -	$ -	$ -	$4,726
25,000	Receive fixed/Pay floating	1.90	0.10	**213,675**	8,547	51,282	85,470	68,376	-	-	1,103
US$ 190	Receive floating/Pay fixed	5.13%	4.64%	**$190,761**	$190,761	$ -	$ -	$ -	$ -	$ -	$4,214

laser printers, and manufacturing facilities to maintain or enhance competitiveness in the industry. In fiscal year 2006, Ricoh also made a strategic capital expenditure to consolidate some of its operations to the headquarters and domestic research and development facilities and offices at the Ricoh Technology Center, and develop a color toner factory in Japan. Ricoh projects that for the fiscal year ending March 31, 2007 its capital expenditures will amount to approximately ¥90.0 billion ($769 million), principally for the following categories: digital and networking equipment, development of a new polymerized toner factory and new accounting and sales force automation and marketing support systems.

Key Financial Ratios

We have provided the following ratios to facilitate analysis of the Company's operations for the fiscal years 2004, 2005 and 2006.

	2004	2005	**2006**
Return on sales	5.2%	4.6%	**5.1%**
Return on shareholders' investment	12.6%	10.0%	**10.6%**
Current ratio	1.69	1.53	**1.53**
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	0.54	0.48	**0.40**
Interest coverage	28.7	29.4	**29.6**

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 exposures 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 did not anticipate any material losses in these areas for fiscal year 2006, and there were no material quantitative changes in market risk exposure as of March 31, 2006. 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

FOREIGN EXCHANGE FORWARD CONTRACTS

		Millions of Yen		Thousand of U.S. Dollar	
	Average contractual rates	Contract amounts	Estimated fair value	Contract amounts	Estimated fair value
US$/¥	118.37	¥592	¥ 6	$5,060	$51
EUR/¥	140.40	2,359	(33)	20,162	(282)

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 instruments; 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, 2006.

	Millions of Yen		Thousand of U.S. Dollar	
	Cost	Fair Value	Cost	Fair Value
Debt Securities				
Due with in one year	¥161	¥161	$1,376	$1,376
Due after one year through five years	6,000	6,050	51,282	51,709
Equity Securities	8,034	23,713	68,667	202,676
Other	172	172	1,470	1,470
Total	¥14,367	¥30,096	$122,795	$257,231

Selected Financial Data

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

	1997	1998	1999
For the Year:			
Net sales	¥1,316,072	¥1,403,348	¥1,425,999
Cost of sales	772,238	838,440	857,423
Selling, general and administrative expense	460,471	475,201	495,029
Income before income taxes, minority interests and equity in earnings of affiliates	66,905	68,428	53,054
Provision for income taxes	39,864	40,210	24,555
Net income	28,922	30,131	30,655
Capital expenditures	78,666	94,117	70,469
Depreciation and amortization	51,000	61,971	67,456
Per Share Data (in yen and dollars):			
Net income			
Basic	¥ 44.16	¥ 44.97	¥ 44.33
Diluted	38.95	41.35	40.94
Dividend paid	11.00	11.50	11.00
At Year-End:			
Total assets	¥1,644,896	¥1,660,496	¥1,628,017
Long-term indebtedness	386,918	295,536	344,580
Shareholders' investment	422,923	475,005	487,459
Working capital	191,539	149,783	284,765
Return on sales	2.2%	2.1%	2.1%
Return on shareholders' investment	7.0	6.7	6.4
Common Stock Price Range (in yen and dollars):			
High	¥ 1,530	¥ 1,900	¥ 1,634
Low	1,050	1,270	969

	Million of Yen							Thousand of U.S. Dollars
	2000	2001	2002	2003	2004	2005	**2006**	**2006**
	¥1,447,157	¥1,538,262	¥1,672,340	¥1,738,358	¥1,780,245	¥1,814,108	**¥1,915,090**	**$16,368,291**
	867,148	924,893	972,394	993,009	1,014,619	1,059,531	**1,115,479**	**9,534,009**
	491,088	508,264	570,251	611,695	623,935	619,071	**647,597**	**5,535,017**
	70,393	97,765	113,950	123,470	143,063	135,383	**156,199**	**1,335,034**
	28,363	43,512	51,147	51,984	56,641	50,634	**57,563**	**491,991**
	41,928	53,228	61,614	72,513	91,766	83,143	**97,057**	**829,547**
	58,356	73,329	75,676	73,956	75,507	84,701	**102,054**	**872,256**
	61,946	62,142	73,782	76,551	76,968	78,201	**84,460**	**721,880**
	¥ 60.61	¥ 76.85	¥ 88.27	¥ 99.79	¥ 123.63	¥ 112.64	**¥ 132.33**	**$ 1.13**
	56.06	71.02	82.46	96.81	123.63	112.64	**132.33**	**1.13**
	11.00	11.50	12.00	14.00	15.00	20.00	**22.00**	**0.19**
	¥1,543,320	¥1,704,791	¥1,832,928	¥1,884,922	¥1,852,793	¥1,953,669	**¥2,041,183**	**$17,446,009**
	307,962	217,743	332,995	345,902	281,570	226,567	**195,626**	**1,672,017**
	541,506	556,728	633,020	657,514	795,131	862,998	**960,245**	**8,207,222**
	297,502	121,446	323,168	372,770	418,511	358,233	**359,515**	**3,072,778**
	2.9%	3.5%	3.7%	4.2%	5.2%	4.6%	**5.1%**	**–**
	8.1	9.7	10.4	11.2	12.6	10.0	**10.6**	**–**
	¥ 2,525	¥ 2,495	¥ 2,735	¥ 2,470	¥ 2,365	¥ 2,345	**¥ 2,360**	**$ 20.17**
	1,078	1,627	1,563	1,637	1,607	1,782	**1,646**	**14.07**

Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2006

ASSETS	Millions of Yen 2005	Millions of Yen 2006	Thousands of U.S. Dollars 2006
Current Assets:			
Cash and cash equivalents	¥ 186,857	**¥ 187,055**	**$ 1,598,761**
Time deposits	1,454	**1,470**	**12,564**
Marketable securities	138	**162**	**1,385**
Trade receivables-			
Notes	75,233	**75,678**	**646,821**
Accounts	396,150	**391,972**	**3,350,188**
Less- Allowance for doubtful receivables	(17,451)	**(16,031)**	**(137,017)**
Current maturities of long-term finance receivables, net	166,636	**178,882**	**1,528,906**
Inventories-			
Finished goods	109,224	**104,218**	**890,752**
Work in process and raw materials	58,141	**65,027**	**555,786**
Deferred income taxes and other	53,365	**55,110**	**471,026**
Total current assets	1,029,747	**1,043,543**	**8,919,172**
Property, Plant and Equipment, at cost:			
Land	43,077	**46,721**	**399,325**
Buildings	203,537	**217,302**	**1,857,282**
Machinery and equipment	643,386	**622,038**	**5,316,564**
Construction in progress	18,720	**11,541**	**98,641**
	908,720	**897,602**	**7,671,812**
Less- Accumulated depreciation	(661,310)	**(629,359)**	**(5,379,137)**
	247,410	**268,243**	**2,292,675**
Investments and Other Assets:			
Long-term finance receivables, net	391,947	**415,435**	**3,550,726**
Investment securities	31,154	**36,419**	**311,274**
Investments in and advances to affiliates	49,316	**52,028**	**444,684**
Goodwill	47,502	**51,934**	**443,880**
Other intangible assets	69,414	**79,175**	**676,709**
Lease deposits and other	87,179	**94,406**	**806,889**
	676,512	**729,397**	**6,234,162**
	¥1,953,669	**¥2,041,183**	**$17,446,009**

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
	2005	**2006**	**2006**
Current Liabilities:			
Short-term borrowings	¥ 38,710	**¥ 82,520**	**$ 705,299**
Current maturities of long-term indebtedness	144,808	**103,131**	**881,462**
Trade payables-			
Notes	29,686	**25,591**	**218,726**
Accounts	306,813	**313,561**	**2,680,009**
Accrued income taxes	24,074	**40,936**	**349,880**
Accrued expenses and other	127,423	**118,289**	**1,011,018**
Total current liabilities	671,514	**684,028**	**5,846,394**
Long-term Liabilities:			
Long-term indebtedness	226,567	**195,626**	**1,672,017**
Accrued pension and severance costs	92,672	**97,020**	**829,231**
Deferred income taxes	48,767	**51,374**	**439,094**
	368,006	**344,020**	**2,940,342**
Minority Interests	51,151	**52,890**	**452,051**
Commitments and Contingent Liabilities (Note 15)			
Shareholders' Investment:			
Common stock;			
Authorized – 993,000,000 shares in 2005 and 1,500,000,000 shares in 2006			
Issued and outstanding - 744,912,078 shares and 734,045,879 shares in 2005 and 744,912,078 shares and 729,522,274 shares in 2006	135,364	**135,364**	**1,156,957**
Additional paid-in capital	186,551	**186,450**	**1,593,590**
Retained earnings	584,515	**665,394**	**5,687,128**
Accumulated other comprehensive income (loss)	(21,963)	**4,099**	**35,034**
Treasury stock at cost; 10,866,199 shares in 2005 and 15,359,804 shares in 2006	(21,469)	**(31,062)**	**(265,487)**
Total shareholders' investment	862,998	**960,245**	**8,207,222**
	¥1,953,669	**¥2,041,183**	**$17,446,009**

Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2004, 2005 and 2006	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Net Sales:				
Products	¥1,074,893	¥ 1,067,736	**¥ 1,108,746**	**$ 9,476,462**
Post sales and rentals	597,989	627,991	**693,138**	**5,924,256**
Other revenue	107,363	118,381	**113,206**	**967,573**
Total	1,780,245	1,814,108	**1,915,090**	**16,368,291**
Cost of Sales:				
Products	693,087	713,057	**738,962**	**6,315,915**
Post sales and rentals	245,512	259,591	**293,559**	**2,509,051**
Other revenue	76,020	86,883	**82,958**	**709,043**
Total	1,014,619	1,059,531	**1,115,479**	**9,534,009**
Gross profit	765,626	754,577	**799,611**	**6,834,282**
Selling, General and Administrative Expenses	623,935	619,071	**647,597**	**5,535,017**
Transfer to the government of the substitutional portion of Employees' Pension Fund:				
Settlement loss	48,657	–	**–**	**–**
Subsidy from government	(56,972)	–	**–**	**–**
Operating income	150,006	135,506	**152,014**	**1,299,265**
Other (Income) Expenses:				
Interest and dividend income	(1,925)	(2,240)	**(2,896)**	**(24,752)**
Interest expense	5,290	4,684	**5,242**	**44,803**
Foreign currency exchange (gain) loss, net	6,136	(1,547)	**(3,748)**	**(32,034)**
Other, net	(2,558)	(774)	**(2,783)**	**(23,786)**
Total	6,943	123	**(4,185)**	**(35,769)**
Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change	143,063	135,383	**156,199**	**1,335,034**
Provision for Income Taxes:				
Current	53,303	39,281	**60,857**	**520,145**
Deferred	3,338	11,353	**(3,294)**	**(28,154)**
Total	56,641	50,634	**57,563**	**491,991**
Income before Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change	86,422	84,749	**98,636**	**843,043**
Minority Interests	4,094	4,726	**4,185**	**35,769**
Equity in Earnings of Affiliates	2,065	3,120	**2,606**	**22,273**
Income before Cumulative Effect of Accounting Change	84,393	83,143	**97,057**	**829,547**
Cumulative Effect of Accounting Change, net of tax	7,373	–	**–**	**–**
Net Income	¥ 91,766	¥ 83,143	**¥ 97,057**	**$ 829,547**

	Yen			U.S. Dollars
Per Share of Common Stock:				
Income before cumulative effect of accounting change	113.69	112.64	**132.33**	**1.13**
Cumulative effect of accounting change	9.94	–	**–**	**–**
Net income	123.63	112.64	**132.33**	**1.13**
Weighted average common shares outstanding (Thousand of shares)	742,293	738,160	**733,434**	**733,434**
Cash dividends paid per share	¥ 15.00	¥ 20.00	**¥ 22.00**	**$ 0.19**
Per American Depositary Share, each representing 5 shares of common stock:				
Income before cumulative effect of accounting change	568.45	563.20	**661.65**	**5.66**
Cumulative effect of accounting change	49.70	–	**–**	**–**
Net income	618.15	563.20	**661.65**	**5.66**
Cash dividends paid per share	¥ 75.00	¥ 100.00	**¥ 110.00**	**$ 0.94**

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, 2004, 2005 and 2006	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Common Stock:				
Beginning balance	¥135,364	¥135,364	**¥ 135,364**	**$1,156,957**
Ending balance	¥135,364	¥135,364	**¥ 135,364**	**$1,156,957**
Additional Paid-in Capital:				
Beginning balance	¥186,521	¥186,599	**¥ 186,551**	**$1,594,453**
Gain (loss) on disposal of treasury stock in exchange for subsidiary's stock	78	(48)	**(101)**	**(863)**
Ending balance	¥186,599	¥186,551	**¥ 186,450**	**$1,593,590**
Retained Earnings:				
Beginning balance	¥434,748	¥515,372	**¥584,515**	**$4,995,855**
Adjustment for change in fiscal year end of consolidated subsidiaries	–	777	**–**	**–**
Net income for the year	91,766	83,143	**97,057**	**829,547**
Dividends declared and approved	(11,142)	(14,777)	**(16,178)**	**(138,274)**
Ending balance	¥515,372	¥584,515	**¥665,394**	**$5,687,128**
Accumulated other comprehensive income (loss):				
Beginning balance	¥(94,733)	¥(30,272)	**¥ (21,963)**	**$ (187,718)**
Adjustment for change in fiscal year end of consolidated subsidiaries	–	(1,665)	**–**	**–**
Foreign currency translation adjustments	(5,393)	9,041	**14,876**	**127,145**
Unrealized gains (losses) on securities, net of reclassification adjustment	(4,556)	765	**4,137**	**35,359**
Unrealized gains on derivatives, net of reclassification adjustment	154	141	**40**	**342**
Minimum pension liability adjustments	74,256	27	**7,009**	**59,906**
Ending balance	¥(30,272)	¥(21,963)	**¥ 4,099**	**$ 35,034**
Treasury stock:				
Beginning balance	¥ (4,386)	¥(11,932)	**¥ (21,469)**	**$ (183,496)**
Purchase of treasury stock; 5,731,150 shares in 2004, 6,179,522 shares in 2005 and 5,048,765 shares in 2006	(11,411)	(12,178)	**(10,660)**	**(91,111)**
Sales of treasury stock; 6,873 shares in 2004, 24,810 shares in 2005 and 33,760 shares in 2006	13	49	**66**	**564**
Issuance of treasury stock in exchange for subsidiary's stock; 2,010,533 shares in 2004, 1,305,700 shares in 2005 and 521,400 shares in 2006	3,852	2,592	**1,001**	**8,556**
Ending balance	¥(11,932)	¥(21,469)	**¥ (31,062)**	**$ (265,487)**
Comprehensive income:				
Net income for the year	¥ 91,766	¥ 83,143	**¥ 97,057**	**$ 829,547**
Other comprehensive income for the year, net of tax	64,461	9,974	**26,062**	**222,752**
Total comprehensive income for the year	¥156,227	¥ 93,117	**¥123,119**	**$1,052,299**

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, 2004, 2005 and 2006	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	¥ 91,766	¥ 83,143	**¥ 97,057**	**$ 829,547**
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	76,968	78,201	**84,460**	**721,880**
Equity in earnings of affiliates, net of dividends received	(1,001)	(1,966)	**(1,431)**	**(12,231)**
Deferred income taxes	3,338	11,353	**(3,294)**	**(28,154)**
Losses on disposals and sales of property, plant and equipment	2,035	4,056	**920**	**7,863**
Pension and severance costs, less payments	(609)	4,307	**3,342**	**28,564**
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	(11,367)	(26,429)	**13,429**	**114,778**
(Increase) decrease in inventories	(4,317)	(12,885)	**3,726**	**31,846**
Increase in finance receivables	(32,650)	(30,294)	**(30,029)**	**(256,658)**
(Decrease) increase in trade payables	21,316	27,276	**(4,495)**	**(38,419)**
(Decrease) increase in accrued income taxes and accrued expenses and other	(5,913)	(13,719)	**2,497**	**21,342**
Other, net	22,718	9,737	**10,687**	**91,343**
Net cash provided by operating activities	154,911	132,780	**176,869**	**1,511,701**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales of property, plant and equipment	190	721	**3,085**	**26,368**
Expenditures for property, plant and equipment	(75,432)	(84,076)	**(101,793)**	**(870,026)**
Payments for purchases of available-for-sale securities	(35,518)	(79,431)	**(138,607)**	**(1,184,675)**
Proceeds from sales of available-for-sale securities	45,464	118,120	**141,620**	**1,210,427**
(Increase) decrease in time deposits	9,915	(511)	**61**	**521**
Acquisitions of subsidiaries, net of cash acquired	–	(43,214)	**–**	**–**
Other, net	(8,002)	(7,807)	**(24,431)**	**(208,812)**
Net cash used in investing activities	(63,383)	(96,198)	**(120,065)**	**(1,026,197)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term indebtedness	13,349	72,206	**63,751**	**544,880**
Repayment of long-term indebtedness	(31,509)	(60,613)	**(93,752)**	**(801,299)**
(Decrease) increase in short-term borrowings, net	(10,728)	(38,052)	**39,618**	**338,615**
Proceeds from issuance of long-term debt securities	1,000	18,000	**10,000**	**85,470**
Repayment of long-term debt securities	(23,910)	(22,000)	**(52,000)**	**(444,444)**
Dividend paid	(11,136)	(14,793)	**(16,178)**	**(138,274)**
Payment for purchase of treasury stock	(11,411)	(10,624)	**(10,653)**	**(91,051)**
Other, net	(490)	(563)	**(775)**	**(6,623)**
Net cash used in financing activities	(74,835)	(56,439)	**(59,989)**	**(512,726)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,897)	1,200	**3,383**	**28,914**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,796	(18,657)	**198**	**1,692**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	189,243	203,039	**186,857**	**1,597,069**
ADJUSTMENT FOR CHANGE IN FISCAL YEAR END OF CONSOLIDATED SUBSIDIARIES	–	2,475	**–**	**–**
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 203,039	¥ 186,857	**¥ 187,055**	**$1,598,761**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
CASH PAID DURING THE YEAR FOR-				
Interest	¥ 6,479	¥ 5,402	**¥ 5,717**	**$ 48,863**
Income taxes	66,914	40,803	**44,854**	**383,368**

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 each of years in the three years ended March 31, 2006 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, 2006 is included solely for the convenience of readers outside Japan and has been made using the exchange rate of ¥117 to US$1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2006.

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 year 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 and accumulated other comprehensive income (loss) in shareholders' investment decreased by ¥1,665 million.

(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.

Products sales 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.

Post sales and rentals 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. Leases not qualifying as sales-type leases or direct financing leases are accounted for as operating leases and related revenue is recognized over the lease term.

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.
Revenue from the sale of equipment under sales-type leases is recognized as product sales at the inception of the lease. Other revenue consists primarily of interest income on sales-type leases and direct-financing leases, which are recognized as Other revenue over the life of each respective lease using the interest method.

(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 14, 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 as amended, Ricoh recognized all derivative instruments as either assets or liabilities in the Consolidated Balance Sheets and measures those instruments at fair value. When Ricoh enters into a derivative contract, it 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 for 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 applies 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, 2005 and 2006, 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 34% 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, 2004, 2005 and 2006 are summarized below:

	2004	2005	**2006**
Buildings	8.1%	8.5%	**8.9%**
Machinery and equipment	42.9	43.8	**40.5**

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, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Aggregate cost	¥7,051	**¥6,895**	**$58,932**
Accumulated depreciation	4,615	**4,911**	**41,974**

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2006 were ¥3,615 million ($30,897 thousand) and ¥3,453 million ($29,513 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) Capitalized Software Costs

Costs incurred for computer software developed or obtained for internal use are capitalized and amortized on a straight line basis over their estimated useful lives in accordance with Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

(l) 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 annually for impairment based on its fair value until its life would be determined to no longer be indefinite.
Ricoh completed its annual assessment of the carrying value of indefinite-lived intangible assets, including goodwill for the years ended March 31, 2004, 2005 and 2006 and determined that no goodwill impairment charge was necessary.

(m) 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.

(n) 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.

(o) Research and Development Expenses and Advertising Costs

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

(p) 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.

(q) 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.

(r) 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, 2005 and 2006, and therefore there is no difference between basic and diluted net income per share.

(s) 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
	2004	2005	**2006**	**2006**
Capital lease obligations incurred	¥ 75	¥ 865	**¥ 261**	**$ 2,231**
Issuance of treasury stock in exchange for subsidiary's stock	3,930	2,545	**905**	**7,735**
Transfer of marketable equity securities to employee retirement benefit trust	3,648	–	**–**	**–**

(t) 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 U.S. 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 including goodwill, realizability of deferred tax assets and pension accounting.

(u) New Accounting Standards

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 the fiscal years beginning after June 15, 2005 and is required to be adopted by Ricoh in the fiscal year beginning April 1, 2006. The adoption of SFAS 151 is not expected to have a material effect on the Company's consolidated results of operations and financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 eliminates the exception from fair value measurement for non-monetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "accounting for Nonmonetary Transactions", and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal years beginning after June 15, 2005 and is required to be adopted by Ricoh in the fiscal year beginning April 1, 2006. The adoption of SFAS 153 is not expected to have a material effect on the Company's consolidated results of operations and financial position.

In May 2005, the FASB issued No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and SFAS No.3". SFAS 154 replaces APB 20, "Accounting Changes" and SFAS 3, "Reporting Accounting Changes in Interim Financial Statements", and requires retrospective applications to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS 154 is effective for the fiscal years beginning after December 15, 2005 and is required to be adopted by Ricoh in the fiscal year beginning April 1, 2006. The adoption of SFAS 154 is not expected to have a material effect on the Company's consolidated results of operations and financial position.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of SFAS No. 133 and 140". SFAS 155 amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS 155 permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative, and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative. SFAS 155 is effective for the fiscal years beginning after September 15, 2006 and is required to be adopted by Ricoh in the fiscal year beginning April 1, 2007. The Company is currently evaluating the effect that the adoption of SFAS 155 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140". SFAS 156 amends SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" to clarify the accounting for servicing assets and servicing liabilities. Among other provisions, the new accounting standard requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS 156 is effective for the fiscal years beginning after September 15, 2006 and is required to be adopted by Ricoh in the fiscal year beginning April 1, 2007. The Company is currently evaluating the effect that the adoption of SFAS 156 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

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 which is not tax deductible. 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
Cash and cash equivalents	¥ 2,412
Receivables and other assets	31,463
Property and equipment	10,404
Identifiable intangible assets	20,400
Goodwill	19,583
Liabilities	(40,177)
	¥44,085

Identifiable intangible assets of RPS primarily comprise customer relationships of ¥13,900 million, 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 Solutions segment. As a result of the goodwill impairment test, impairment loss has not been recognized.

4. FINANCE RECEIVABLES

Finance receivables as of March 31, 2005 and 2006 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 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, 2005 and 2006 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Minimum lease payments receivable	¥568,911	**¥603,698**	**$5,159,812**
Estimated non-guaranteed residual value	3,030	**4,144**	**35,419**
Unearned income	(48,290)	**(50,797)**	**(434,162)**
Allowance for doubtful receivables	(15,199)	**(15,023)**	**(128,402)**
Lease receivables, net	508,452	**542,022**	**4,632,667**
Less: Current portion of lease receivable, net	(165,295)	**(177,414)**	**(1,516,359)**
Amounts due after one year, net	¥343,157	**¥364,608**	**$3,116,308**

As of March 31, 2006, the minimum lease payments receivable due in each of the next five years and thereafter are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥201,372	$1,721,128
2008	163,493	1,397,376
2009	123,527	1,055,786
2010	75,409	644,521
2011	30,851	263,684
2012 and thereafter	9,046	77,317
Total	¥603,698	$5,159,812

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, 2005 and 2006 was ¥50,131 million and ¥52,295 million ($446,966 thousand), respectively. The current portions of loan receivables were ¥1,341 million and ¥1,468 million ($12,547 thousand), respectively, as of March 31, 2005 and 2006, and are included in short-term finance receivables, net in the accompanying balance sheet. Loan activity for the years ended March 31, 2004, 2005 and 2006 is as follow:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Extension of new loans	¥13,686	¥12,456	**¥12,657**	**$108,179**
Repayment of outstanding loans	12,706	13,001	**10,495**	**89,701**

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 retained interest in such receivable for failure of debtors to pay. 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, 2005 and 2006 were as follows:

	2005	**2006**
Expected credit losses	0.75% – 1.35%	**0.35% – 0.50%**
Discount rate	2.00% – 3.00%	**2.00% – 3.00%**

The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2006 are presented below.

	Millions of Yen	Thousands of U.S. Dollars
	2006	**2006**
Carrying value of retained interests (included in lease deposits and other in the consolidated balance sheet)	**¥5,914**	**$50,547**
Expected credit losses:		
+10%	**32**	**274**
+20%	**65**	**556**
Discount rate:		
+10%	**22**	**188**
+20%	**44**	**376**

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, 2004, 2005 and 2006:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Servicing fees received	¥ 25	¥ 22	**¥ 22**	**$ 188**
Repurchases of delinquent or ineligible assets	4,643	4,060	**2,575**	**22,009**

The components of all receivables managed and securitized, amounts of delinquencies and the components of net credit losses as of March 31, 2005 and 2006, and for the years then ended, are as follows:

	Millions of Yen					
	2005			**2006**		
	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	¥567,795	¥1,016	¥2,746	**¥ 601,594**	**¥ 919**	**¥ 2,401**
Less: Receivables securitized	(44,145)			**(44,549)**		
Receivables held in portfolio	¥523,650			**¥ 557,045**		

	Thousands of U.S. Dollars		
	2006		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	**$5,141,829**	**$7,855**	**$20,521**
Less: receivables securitized	**(380,761)**		
Receivables held in portfolio	**$4,761,068**		

5. SECURITIES

Marketable securities and investment securities as of March 31, 2005 and 2006 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Marketable securities:			
Available-for-sale securities	¥138	**¥162**	**$1,385**
Investment securities:			
Available-for-sale securities	¥24,205	**¥29,934**	**$255,846**
Non-marketable equity securities	6,949	**6,485**	**55,427**
	¥31,154	**¥36,419**	**$311,273**

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, 2005 and 2006 are as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2005				**2006**				**2006**			
	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	¥137	¥ –	¥ –	¥137	**¥161**	**¥ –**	**¥ –**	**¥161**	**$1,376**	**$ –**	**$ –**	**$1,376**
Other	1	–	–	1	**1**	**–**	**–**	**1**	**9**	**–**	**–**	**9**
	¥138	¥ –	¥ –	¥138	**¥162**	**¥ –**	**¥ –**	**¥162**	**$1,385**	**$ –**	**$ –**	**$1,385**
Non-current:												
Equity securities	¥7,479	¥9,021	¥49	¥16,451	**¥ 8,034**	**¥15,716**	**¥37**	**¥23,713**	**$68,666**	**$134,325**	**$316**	**$202,675**
Corporate debt securities	6,000	45	–	6,045	**6,000**	**50**	**–**	**6,050**	**51,282**	**427**	**–**	**51,709**
Other	1,229	480	–	1,709	**171**	**0**	**0**	**171**	**1,462**	**0**	**0**	**1,462**
	¥14,708	¥9,546	¥49	¥24,205	**¥14,205**	**¥15,766**	**¥37**	**¥29,934**	**$121,410**	**$134,752**	**$316**	**$255,846**

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, 2006 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
2006:				
Noncurrent:				
Available-for-sale:				
Equity securities	**¥ 223**	**¥ 37**	**–**	**–**

	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
2006:				
Noncurrent:				
Available-for-sale:				
Equity securities	**$1,906**	**$ 316**	**–**	**–**

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2006, 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	**¥ 161**	**¥ 161**	**$ 1,376**	**$ 1,376**
Due after one year through five years	**6,000**	**6,050**	**51,282**	**51,709**
	¥6,161	**¥6,211**	**$52,658**	**$53,085**

Proceeds from the sales of available-for-sale securities were ¥45,464 million, ¥118,120 million and ¥141,620 million ($1,210,427 thousand) for the years ended March 31, 2004, 2005 and 2006, respectively.
The realized gain on the sales of available-for-sale securities for the year ended March 31, 2006 was ¥1,053 million ($9,000 thousand). There were no signifcant realized losses of available-for-sale securities for the year ended March 31, 2006. There were no significant realized gains or losses of available-for-sale securities for the years ended March 31, 2004 and 2005 except the contributed marketable equity securities to the Company's employee benefit trust as discussed below.
Effective October 1, 2005, UFJ holdings, Inc. ("UFJ") and Mitsubishi Tokyo Financial Group, Inc. completed a merger, in which the UFJ shares of common stock owned by the Company were exchanged for shares of common stock of the newly merged entity, Mitsubishi UFJ Financial Group, Inc. ("MUFG"). As a result of this merger and common share exchange, the Company recognized a gain on securities of ¥992 million ($ 8,479 thousand) between the cost of UFJ shares surrendered and the current market value of MUFG shares in "Other, net" as other (income) expenses on its consolidated statements of income for the year ended March 31, 2006.
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 pension liability was reduced by the fair market value 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 available-for-sale equity securities, 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 connection with the 2004, Transfer 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 Co., Ltd., a 21.2% 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 and ¥38,214 million ($326,615 thousand) as of March 31, 2005 and 2006, respectively. The quoted market value of Ricoh's investment in this company was ¥46,155 million ($394,487 thousand) as of March 31, 2006.
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 ¥12,713 million and ¥13,814 million ($118,068 thousand) at March 31, 2005 and 2006 respectively.
Summarized financial information for all affiliates as of March 31, 2005 and 2006 and for the years ended March 31, 2004, 2005 and 2006 is as follows:

Financial Position

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Assets-			
Current assets	¥116,247	**¥112,312**	**$ 959,932**
Other assets	164,170	**174,529**	**1,491,700**
	¥280,417	**¥286,841**	**$2,451,632**
Liabilities and shareholders' investment-			
Current liabilities	¥ 37,426	**¥ 29,084**	**$ 248,581**
Other liabilities	18,512	**20,335**	**173,803**
Shareholders' investment	224,479	**237,422**	**2,029,248**
	¥280,417	**¥286,841**	**$2,451,632**

Operations

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Sales	¥317,512	¥330,362	**¥320,537**	**$2,739,632**
Costs and expenses	307,665	315,729	**309,164**	**2,642,427**
Net income	¥ 9,847	¥ 14,633	**¥ 11,373**	**$ 97,205**

The significant transactions of Ricoh with these affiliates for the years ended March 31, 2004, 2005 and 2006, and the related account balances at March 31, 2005 and 2006 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Transactions-				
Sales	¥19,534	¥19,365	**¥20,205**	**$172,692**
Purchases	18,714	27,286	**25,617**	**218,949**
Dividend income	1,064	1,154	**1,175**	**10,043**

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Account balances-			
Receivables	¥3,416	**¥3,493**	**$29,855**
Payables	2,964	**2,706**	**23,128**

As of March 31, 2006, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥44,209 million ($377,855 thousand).

7. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Millions of Yen					
	2005			**2006**		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥58,681	¥(28,277)	¥30,404	**¥89,331**	**¥(43,593)**	**¥45,738**
Trade name and customer base	29,937	(6,877)	23,060	**30,799**	**(11,994)**	**18,805**
Other	18,287	(3,848)	14,439	**22,074**	**(8,940)**	**13,134**
Total	106,905	(39,002)	67,903	**142,204**	**(64,527)**	**77,677**
Other intangible assets not subject to amortization			1,511			**1,498**
Total other intangible assets			¥69,414			**¥79,175**

	Thousands of U.S. Dollars		
	2006		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**$763,513**	**$(372,590)**	**$390,923**
Trade name and customer base	**263,239**	**(102,513)**	**160,726**
Other	**188,667**	**(76,410)**	**112,257**
Total	**1,215,419**	**(551,513)**	**663,906**
Other intangible assets not subject to amortization			**12,803**
Total other intangible assets			**$676,709**

Gross carrying amount of software was increased for the year ended March 31, 2006 mainly due to the capitalization of costs to develop back-office information systems.

The aggregate amortization expense of other intangible assets subject to amortization for the years ended March 31, 2004, 2005 and 2006 was ¥9,284 million, ¥11,405 million and ¥ 16,992million ($145,231 thousand). The future amortization expense for each of the next five years relating to intangible assets currently recorded in the consolidated balance sheets is estimated to be the following at March 31, 2006:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥17,449	$149,137
2008	14,984	128,068
2009	9,361	80,009
2010	4,838	41,350
2011	2,210	18,889

The changes in the carrying amounts of goodwill for the year ended March 31, 2005 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Balance at beginning of year	¥25,298	**¥47,502**	**$406,000**
Goodwill acquired during the year	21,722	**1,783**	**15,239**
Foreign exchange impact	482	**2,649**	**22,641**
Balance at end of year	¥47,502	**¥51,934**	**$443,880**

As of March 31, 2006, most of the carrying value of goodwill was allocated to the Office Solutions 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, 2004, 2005 and 2006 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change:				
Domestic	¥ 98,162	¥ 88,562	**¥ 109,218**	**$ 933,487**
Foreign	44,901	46,821	**46,981**	**401,547**
	¥143,063	¥135,383	**¥ 156,199**	**$1,335,034**
Provision for income taxes-				
Current:				
Domestic	¥ 38,908	¥ 28,081	**¥ 43,584**	**$ 372,513**
Foreign	14,395	11,200	**17,273**	**147,632**
	53,303	39,281	**60,857**	**520,145**
Deferred:				
Domestic	1,951	8,737	**(780)**	**(6,667)**
Foreign	1,387	2,616	**(2,514)**	**(21,487)**
	3,338	11,353	**(3,294)**	**(28,154)**
Consolidated provision for income taxes	¥ 56,641	¥ 50,634	**¥ 57,563**	**$ 491,991**

Total income taxes are allocated as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Provision for income taxes	¥ 56,641	¥ 50,634	**¥ 57,563**	**$491,991**
Shareholders' investment:				
Foreign currency translation adjustments	(1,334)	3,378	**1,266**	**10,821**
Unrealized gains (losses) on securities	(3,617)	407	**2,472**	**21,128**
Unrealized gains (losses) on derivatives	109	97	**27**	**231**
Minimum pension liability adjustment	49,733	129	**5,195**	**44,402**
Cumulative effect of accounting change	5,722	–	**–**	**–**
	¥ 107,254	¥ 54,645	**¥ 66,523**	**$568,573**

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, 2004, 2005 and 2006 as a result of the following:

	2004	2005	**2006**
Normal statutory tax rate	42%	41%	**41%**
Nondeductible expenses	1	1	**0**
Tax benefits not recognized on operating losses of certain consolidated subsidiaries	2	1	**2**
Utilization of net operating loss carryforward not previously recognized	(1)	(2)	**(2)**
Tax credit for increased research and development expense	(3)	(3)	**(3)**
Effect of change in enacted tax rate	1	–	**–**
Other, net	(2)	(1)	**(1)**
Effective tax rate	40%	37%	**37%**

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, 2005 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Assets:			
Accrued expenses	¥ 20,717	**¥ 21,417**	**$183,051**
Property, plant and equipment	3,458	**3,014**	**25,761**
Accrued pension and severance costs	33,781	**30,888**	**264,000**
Net operating loss carryforwards	5,993	**4,941**	**42,231**
Other	27,400	**29,601**	**253,000**
	91,349	**89,861**	**768,043**
Less- Valuation allowance	(7,079)	**(8,197)**	**(70,060)**
	¥ 84,270	**¥ 81,664**	**$ 697,983**
Liabilities:			
Sales-type leases	¥ (6,548)	**¥ (6,460)**	**$ (55,214)**
Undistributed earnings of foreign subsidiaries and affiliates	(17,092)	**(18,618)**	**(159,128)**
Net unrealized holding gains on available-for-sale securities	(4,592)	**(6,613)**	**(56,521)**
Basis difference of acquired intangible assets	(11,482)	**(9,372)**	**(80,103)**
Other	(13,765)	**(13,498)**	**(115,367)**
	¥ (53,479)	**¥ (54,561)**	**$(466,333)**
Net deferred tax assets	¥ 30,791	**¥ 27,103**	**$ 231,650**

Net deferred tax assets as of March 31, 2005 and 2006 are included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Deferred income taxes and other (Current Assets)	¥ 37,812	**¥40,632**	**$347,282**
Lease deposits and other (Non-current Assets)	42,393	**38,053**	**325,239**
Accrued expenses and other (Current Liabilities)	(647)	**(208)**	**(1,777)**
Deferred income taxes (Long-Term Liabilities)	(48,767)	**(51,374)**	**(439,094)**
	¥ 30,791	**¥27,103**	**$231,650**

The net changes in the total valuation allowance for the years ended March 31, 2004 and 2005 were a decrease of ¥183 million and ¥1,931 million respectively, and was increase of ¥1,118 million ($9,556 thousand) for the year ended March 31, 2006. As a result of recording of operating losses in the past, certain subsidiaries of Ricoh have had valuation allowances against deferred tax assets for local taxes. However, based on both improved operating results in recent years and a sound outlook for the future operating performance of these subsidiaries, Ricoh reversed ¥2,959 million ($25,291 thousand) of valuation allowance, resulting in a reduction of income tax expenses for the year ended March 31, 2006. 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, 2006, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥15,337 million ($131,085 thousand) which were available to reduce future income taxes, if any. Approximately ¥543 million ($4,641 thousand) of the operating losses will expire within 3 years and ¥5,756 million ($49,197 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 ¥189,779 million ($1,622,043 thousand) as of March 31, 2006 because the Company considers these earnings to be permanently reinvested. Calculation of related unrecognized deferred tax liability is not practicable.

9. SHORT-TERM BORROWINGS

Short-term borrowings as of March 31, 2005 and 2006 consist of the following:

	Weighted average interest rate		Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	2005	**2006**	**2006**
Borrowings, principally from banks	3.5%	**3.8%**	¥ 8,641	**¥16,056**	**$ 137,231**
Commercial paper	2.9	**3.1**	30,069	**66,464**	**568,068**
			¥38,710	**¥82,520**	**$705,299**

These short-term borrowings included borrowings, principally from banks and commercial paper denominated in foreign currencies amounting to ¥ 37,710 million and ¥ 55,212 million ($471,897 thousand) as of March 31, 2005 and 2006, respectively.

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. Ricoh had aggregate lines of credit of ¥822,103 million and ¥801,630 million ($6,851,538 thousand) as of March 31, 2005 and 2006, respectively. Unused lines of credit amounted to ¥689,993 million and ¥703,949 million ($6,016,658 thousand) as of March 31, 2005 and 2006, respectively, of which ¥219,291 million and ¥252,843 million ($2,161,051 thousand) related to commercial paper and ¥128,346 million and ¥154,458 million ($1,320,154 thousand) related to medium-term notes programs at prevailing interest rates and the unused portion is available for immediate borrowings.

10. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2005 and 2006 consists of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Bonds-			
2.075%, straight bonds, payable in yen, due April 2005	¥ 40,000	**¥ –**	**$ –**
0.87%, straight bonds, payable in yen, due March 2007	35,000	**35,000**	**299,146**
1.34%, straight bonds, payable in yen, due March 2009	25,000	**25,000**	**213,675**
0.73%, straight bonds, payable in yen, due June 2006 issued by a consolidated subsidiary	10,000	**10,000**	**85,470**
0.70%, straight bonds, payable in yen, due June 2007 issued by a consolidated subsidiary	10,000	**10,000**	**85,470**
2.10%, straight bonds, payable in yen, due October 2009 issued by a consolidated subsidiary	10,000	**10,000**	**85,470**
1.11%, straight bonds, payable in yen, due March 2010 issued by a consolidated subsidiary	–	**10,000**	**85,470**
Medium-term notes, 0.17% weighted average, due through 2015 issued by a consolidated subsidiary	22,000	**10,000**	**85,470**
Total bonds	152,000	**110,000**	**940,171**
Unsecured loans-			
Banks and insurance companies, 1.43% weighted average, due through 2009	212,416	**183,956**	**1,572,273**
Secured loans-			
Banks, insurance companies and other financial institution, 1.02% weighted average, due through 2013	1,133	**795**	**6,795**
Capital lease obligations (see Note 2(j))	3,804	**3,453**	**29,513**
Total	369,353	**298,204**	**2,548,752**
SFAS 133 fair value adjustment	2,022	**553**	**4,727**
Less- Current maturities included in current liabilities	(144,808)	**(103,131)**	**(881,462)**
	¥226,567	**¥195,626**	**$1,672,017**

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥3,167 million ($27,068 thousand) as of March 31, 2006.

All bonds outstanding as of March 31, 2006 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, 2006.

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, 2006 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥103,125	$ 881,410
2008	79,173	676,692
2009	59,144	505,504
2010	46,868	400,581
2011	8,189	69,992
2012 and thereafter	1,705	14,573
Total	¥298,204	$2,548,752

11. PENSION AND RETIREMENT ALLOWANCE PLANS

The Company and certain of its subsidiaries have various contributory and noncontributory employees' pension fund plans in trust 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. Contributions to above pension plans have been made to provide future pension payments in conformity with an actuarial calculation determined by the current basic rate of pay.

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 its fiscal 2004 consolidated statement of income.

The changes in the benefit obligation and plan assets of the pension plans for the years ended March 31, 2005 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Change in benefit obligation:			
Benefit obligation at beginning of year	¥313,426	**¥343,623**	**$2,936,949**
Service cost	14,762	**14,691**	**125,564**
Interest cost	9,218	**10,192**	**87,111**
Plan participants' contributions	457	**517**	**4,419**
Amendments	(91)	**–**	**–**
Actuarial loss	2,697	**10,437**	**89,205**
Settlement	(4,316)	**(654)**	**(5,590)**
Benefits paid	(19,818)	**(14,408)**	**(123,145)**
Foreign exchange impact	3,572	**4,415**	**37,735**
Benefit obligation assumed in connection with business acquisition	23,716	**–**	**–**
Benefit obligation at end of year	¥343,623	**¥368,813**	**$3,152,248**

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 213,315	**¥237,500**	**$2,029,915**
Actual return on plan assets	9,401	**49,560**	**423,590**
Employer contribution	12,359	**13,853**	**118,402**
Plan participants' contributions	457	**517**	**4,419**
Settlement	(3,192)	**–**	**–**
Benefits paid	(13,534)	**(9,855)**	**(84,231)**
Foreign exchange impact	2,783	**3,361**	**28,726**
Plan assets acquired in connection with business acquisition	15,911	**–**	**–**
Fair value of plan assets at end of year	¥ 237,500	**¥294,936**	**$2,520,821**
Funded status	¥(106,123)	**¥ (73,877)**	**$ (631,427)**
Unrecognized net actuarial loss	102,851	**64,714**	**553,111**
Unrecognized prior service cost	(57,134)	**(54,212)**	**(463,350)**
Unrecognized net asset at transition, net of amortization	(984)	**(533)**	**(4,556)**
Net amount recognized	¥ (61,390)	**¥ (63,908)**	**$ (546,222)**
Amounts recognized in the balance sheets consist of:			
Prepaid benefit cost	¥ 4,685	**¥ 18,170**	**$ 155,299**
Accrued benefit liability	(91,022)	**(94,765)**	**(809,957)**
Intangible assets	111	**55**	**470**
Accumulated other comprehensive income, gross of tax	24,836	**12,632**	**107,966**
Net amount recognized	¥ (61,390)	**¥ (63,908)**	**$ (546,222)**
Accumulated benefit obligations	¥ 313,715	**¥354,060**	**$3,026,154**

Weighted-average assumptions used to determine benefit obligations at March 31, 2005 and 2006 were as follows:

	2005	**2006**
Discount rate	3.0%	**2.8%**
Rate of compensation increase	5.0%	**5.4%**

Weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2004, 2005 and 2006 were as follows:

	2004	2005	**2006**
Discount rate	2.6%	2.9%	**3.0%**
Rate of compensation increase	3.4%	5.3%	**5.0%**
Expected long-term return on plan assets	2.5%	2.9%	**3.2%**

The net periodic benefit costs of the pension plans for the three years ended March 31, 2006 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Service cost	¥15,694	¥14,762	**¥14,691**	**$125,564**
Interest cost	12,719	9,218	**10,192**	**87,111**
Expected return on plan assets	(5,872)	(6,571)	**(7,645)**	**(65,342)**
Net amortization	10,805	1,648	**1,833**	**15,667**
Settlement benefit	(2,537)	(980)	**(140)**	**(1,197)**
Total net periodic pension cost	¥30,809	¥18,077	**¥18,931**	**$161,803**

In accordance with the provisions of SFAS 87, Ricoh has recorded an adjustment for minimum pension liability at March 31, 2005 and 2006. 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
	2005	**2006**	**2006**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	¥338,201	**¥222,095**	**$1,898,248**
Fair value of plan assets	235,161	**129,327**	**1,105,359**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	¥281,411	**¥190,144**	**$1,625,162**
Fair value of plan assets	216,249	**118,214**	**1,010,376**

Ricoh's benefit plan asset allocation at March 31, 2005 and 2006 are as follows:

	2005	**2006**
Equity securities	48.5%	**51.7%**
Debt securities	27.1%	**21.1%**
Life insurance company general accounts	14.8%	**20.5%**
Other	9.6%	**6.7%**
Total	100.0%	**100.0%**

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, 2005 and 2006.

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 ¥13,080 million ($111,795 thousand) to its pension plans for the year ending March 31, 2007.

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
2007	¥15,162	$129,590
2008	17,613	150,538
2009	18,622	159,162
2010	19,594	167,470
2011	18,856	161,162
2012– 2016	96,302	823,094

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, 2005 and 2006 were ¥17,053 million and ¥17,156 million ($146,632 thousand), respectively, and are restricted from being used as dividends.

The Corporation Law of Japan ("the Law"), which has been in force since May 1, 2006, requires a company to obtain the approval of shareholders for transferring on amount between capital and additional paid-in capital. The Law also permits a company to transfer an amount of common stock or additional paid-in capital to retained earnings in principle upon approval of shareholders.

Semiannual cash dividends are approved by the shareholders after the end of each fiscal period or are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each such fiscal or interim six-month period. At the general meeting to be held on June 28, 2006, the shareholders will be asked to approve the declaration of a cash dividend (¥12 per share) on the common stock totaling ¥8,764 million ($74,906 thousand), which will be paid to shareholders of record as of March 31, 2006. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2006.

The amount of retained earnings legally available for dividend distribution is that recorded in the Company's non-consolidated books and amounted to ¥354,858 million ($3,032,974 thousand) as of March 31, 2006.

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
2004:			
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
2005:			
Foreign currency translation adjustments	¥12,419	¥(3,378)	¥9,041
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	1,024	(347)	677
Less- Reclassification adjustment for (gains) losses realized in net income	148	(60)	88
Net unrealized gains (losses)	1,172	(407)	765
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	45	(17)	28
Less- Reclassification adjustment for (gains) losses realized in net income	193	(80)	113
Net unrealized gains (losses)	238	(97)	141
Minimum pension liability adjustment	156	(129)	27
Other comprehensive income (loss)	¥13,985	¥(4,011)	¥9,974

	Millions of Yen		
	Before-tax amount	Tax expense	Net-of-tax amount
2006:			
Foreign currency translation adjustments	**¥16,142**	**¥(1,266)**	**¥14,876**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**8,662**	**(3,308)**	**5,354**
Less- Reclassification adjustment for (gains) losses realized in net income	**(2,053)**	**836**	**(1,217)**
Net unrealized gains (losses)	**6,609**	**(2,472)**	**4,137**
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	**(527)**	**216**	**(311)**
Less- Reclassification adjustment for (gains) losses realized in net income	**594**	**(243)**	**351**
Net unrealized gains (losses)	**67**	**(27)**	**40**
Minimum pension liability adjustment	**12,204**	**(5,195)**	**7,009**
Other comprehensive income (loss)	**¥35,022**	**¥(8,960)**	**¥26,062**

	Thousands of U.S. Dollars		
2006:			
Foreign currency translation adjustments	**$137,966**	**$(10,821)**	**$127,145**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**74,034**	**(28,273)**	**45,761**
Less- Reclassification adjustment for (gains) losses realized in net income	**(17,547)**	**7,145**	**(10,402)**
Net unrealized gains (losses)	**56,487**	**(21,128)**	**35,359**
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	**(4,504)**	**1,846**	**(2,658)**
Less- Reclassification adjustment for (gains) losses realized in net income	**5,076**	**(2,076)**	**3,000**
Net unrealized gains (losses)	**572**	**(230)**	**342**
Minimum pension liability adjustment	**104,308**	**(44,402)**	**59,906**
Other comprehensive income (loss)	**$299,333**	**$(76,581)**	**$222,752**

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)
2004:					
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)
2005:					
Beginning balance	¥ (19,411)	¥ 4,026	¥ (24)	¥ (14,863)	¥ (30,272)
Adjustment for change in fiscal year end of consolidated subsidiaries	(1,849)	–	–	184	(1,665)
Change during the year	9,041	765	141	27	9,974
Ending balance	¥ (12,219)	¥ 4,791	¥117	¥ (14,652)	¥ (21,963)

	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)
2006:					
Beginning balance	**¥(12,219)**	**¥ 4,791**	**¥ 117**	**¥ (14,652)**	**¥(21,963)**
Change during the year	**14,876**	**4,137**	**40**	**7,009**	**26,062**
Ending balance	**¥ 2,657**	**¥ 8,928**	**¥ 157**	**¥ (7,643)**	**¥ 4,099**

	Thousands of U.S. Dollars				
2006:					
Beginning balance	**$(104,436)**	**$40,949**	**$ 1,000**	**$(125,231)**	**$(187,718)**
Change during the year	**127,145**	**35,359**	**342**	**59,906**	**222,752**
Ending balance	**$ 22,709**	**$76,308**	**$ 1,342**	**$ (65,325)**	**$ 35,034**

14. 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, 2004, 2005 and 2006 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, 2004, 2005 and 2006 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 ¥82 million ($701 thousand) of the balance of accumulated other comprehensive income as of March 31, 2006.

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.

15. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2006, Ricoh had outstanding contractual commitments for acquisition or construction of plant, equipment and other assets aggregating ¥2,774 million ($23,709 thousand).

As of March 31, 2006, Ricoh was also contingently liable for certain guarantees induding employees housing loans of ¥1,193 million ($10,197 thousand).

Ricoh made rental payments totaling ¥40,339 million, ¥39,000 million and ¥42,046 million ($359,368 thousand) for the years ended March 31, 2004, 2005 and 2006, respectively, under cancelable and non-cancelable operating lease agreements for office space and machinery and equipment.

The minimum rental payments required under operating lease that have lease terms in excess of one year as of March 31, 2006 are as follows,

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥14,693	$125,581
2008	12,804	109,436
2009	10,100	86,325
2010	6,350	54,274
2011	4,114	35,162
2012 and thereafter	9,855	84,231
Total	¥57,916	$495,009

As of March 31, 2006, 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.

16. 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.

(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.

The estimated fair value of the financial instruments as of March 31, 2005 and 2006 is summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2005		**2006**		**2006**	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Marketable securities and Investment securities	¥ 31,292	¥ 31,292	**¥ 36,581**	**¥ 36,581**	**$ 312,658**	**$ 312,658**
Installment loans	50,131	50,292	**52,295**	**52,404**	**446,966**	**447,897**
Long-term indebtedness	(226,567)	(228,839)	**(195,626)**	**(195,731)**	**(1,672,017)**	**(1,672,915)**
Interest rate swap agreements, net	1,683	1,683	**1,175**	**1,175**	**10,043**	**10,043**
Foreign currency contracts, net	181	181	**(1,147)**	**(1,147)**	**(9,803)**	**(9,803)**
Foreign currency options, net	(813)	(813)	**(270)**	**(270)**	**(2,308)**	**(2,308)**

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.

17. 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 Solutions, including copiers and related supplies, communications and information systems, Industrial Products, including thermal media and semiconductors, and Other, including optical discs and digital cameras.
In connection with the adoption of the 15th medium-term management plan on April 1, 2005, Ricoh revised its business segments for the year ended March 31, 2006. Presentation of business segments for each of the years ended March 31, 2004 and 2005 have also been revised to conform to current presentation.
The following tables present certain information regarding Ricoh's operating segments and operations by geographic areas for the years ended March 31, 2004, 2005 and 2006.

(a) Operating Segment Information

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Sales-				
Office Solutions	¥1,460,395	¥1,531,428	**¥1,637,228**	**$13,993,402**
Industrial Products	113,854	121,914	**123,200**	**1,052,991**
Other	208,458	163,272	**157,226**	**1,343,812**
Intersegment transaction	(2,462)	(2,506)	**(2,564)**	**(21,914)**
Consolidated	¥1,780,245	¥1,814,108	**¥1,915,090**	**$16,368,291**
Operating Expenses-				
Office Solutions	¥1,261,444	¥1,335,059	**¥1,434,279**	**$12,258,795**
Industrial Products	110,743	121,872	**124,108**	**1,060,752**
Other	201,508	167,431	**151,114**	**1,291,573**
Intersegment transaction	(2,494)	(2,475)	**(2,594)**	**(22,171)**
Unallocated expense	59,038	56,715	**56,169**	**480,077**
Consolidated	¥1,630,239	¥1,678,602	**¥1,763,076**	**$15,069,026**
Operating Income-				
Office Solutions	¥198,951	¥196,369	**¥202,949**	**$1,734,607**
Industrial Products	3,111	42	**(908)**	**(7,761)**
Other	6,950	(4,159)	**6,112**	**52,239**
Elimination and unallocated expense	(59,006)	(56,746)	**(56,139)**	**(479,820)**
Consolidated	¥150,006	¥135,506	**¥152,014**	**$1,299,265**
Other Income(Expenses)	¥(6,943)	¥ (123)	**¥ 4,185**	**$ 35,769**
Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change	¥143,063	¥135,383	**¥156,199**	**$1,335,034**

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Total Assets-				
Office Solutions	¥1,184,913	¥1,358,136	**¥1,426,635**	**$12,193,462**
Industrial Products	76,295	72,406	**84,595**	**723,034**
Other	142,071	125,278	**114,925**	**982,265**
Elimination	(8,047)	(10,174)	**(2,088)**	**(17,846)**
Corporate assets	457,561	408,023	**417,116**	**3,565,094**
Consolidated	¥1,852,793	¥1,953,669	**¥2,041,183**	**$17,446,009**
Expenditure for segment assets-				
Office Solutions	¥60,893	¥70,638	**¥90,383**	**$772,504**
Industrial Products	7,742	8,509	**7,451**	**63,684**
Other	5,443	3,451	**2,366**	**20,222**
Corporate assets	1,429	2,103	**1,854**	**15,846**
Consolidated	¥75,507	¥84,701	**¥102,054**	**$872,256**
Depreciation-				
Office Solutions	¥ 55,521	¥53,439	**¥57,326**	**$489,966**
Industrial Products	7,134	7,450	**6,631**	**56,675**
Other	3,075	2,635	**2,355**	**20,128**
Corporate assets	1,954	3,272	**1,156**	**9,881**
Consolidated	¥ 67,684	¥66,796	**¥67,468**	**$576,650**

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, 2004, 2005 and 2006 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Sales-				
Japan	¥ 914,060	¥ 972,975	**¥ 972,076**	**$ 8,308,342**
The Americas	326,380	325,597	**387,412**	**3,311,214**
Europe	402,392	408,906	**434,800**	**3,716,239**
Other	137,413	106,630	**120,802**	**1,032,496**
Consolidated	¥1,780,245	¥1,814,108	**¥1,915,090**	**$16,368,291**
Property, Plant and Equipment -				
Japan	¥183,763	¥195,052	**¥210,973**	**$1,803,188**
The Americas	20,198	17,744	**18,111**	**154,795**
Europe	26,020	25,352	**26,783**	**228,915**
Other	8,731	9,262	**12,376**	**105,777**
Consolidated	¥238,712	¥247,410	**¥268,243**	**$2,292,675**

(c) Additional Information

The following information shows net sales and operating income recognized by geographic origin for the years ended March 31, 2004, 2005 and 2006. 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
	2004	2005	**2006**	**2006**
Sales-				
Japan				
External customers	¥ 962,127	¥ 994,499	**¥ 998,797**	**$ 8,536,726**
Intersegment	351,070	392,216	**413,087**	**3,530,659**
Total	1,313,197	1,386,715	**1,411,884**	**12,067,385**
The Americas				
External customers	315,504	322,975	**385,746**	**3,296,974**
Intersegment	5,249	7,486	**7,630**	**65,214**
Total	320,753	330,461	**393,376**	**3,362,188**
Europe				
External customers	400,646	412,333	**434,304**	**3,712,000**
Intersegment	3,770	3,310	**4,449**	**38,026**
Total	404,416	415,643	**438,753**	**3,750,026**
Other				
External customers	101,968	84,301	**96,243**	**822,590**
Intersegment	91,373	89,647	**104,045**	**889,273**
Total	193,341	173,948	**200,288**	**1,711,863**
Elimination of intersegment sales	(451,462)	(492,659)	**(529,211)**	**(4,523,171)**
Consolidated	¥1,780,245	¥1,814,108	**¥1,915,090**	**$16,368,291**
Operating Expenses-				
Japan	¥1,215,875	¥1,298,640	**¥1,312,655**	**$11,219,274**
The Americas	305,284	316,651	**378,108**	**3,231,692**
Europe	382,383	391,271	**417,341**	**3,567,017**
Other	182,870	162,042	**185,283**	**1,583,615**
Elimination of intersegment sales	(456,173)	(490,002)	**(530,311)**	**(4,532,572)**
Consolidated	¥1,630,239	¥1,678,602	**¥1,763,076**	**$15,069,026**
Operating Income-				
Japan	¥ 97,322	¥ 88,075	**¥ 99,229**	**$ 848,111**
The Americas	15,469	13,810	**15,268**	**130,496**
Europe	22,033	24,372	**21,412**	**183,009**
Other	10,471	11,906	**15,005**	**128,248**
Elimination of intersegment profit	4,711	(2,657)	**1,100**	**9,401**
Consolidated	¥ 150,006	¥ 135,506	**¥ 152,014**	**$ 1,299,265**
Other Expenses	¥ (6,943)	¥(123)	**¥4,185**	**$35,769**
Income before Income Taxes, Minority Interests, Equity in Earnings of Affiliates and Cumulative Effect of Accounting Change	¥ 143,063	¥ 135,383	**¥ 156,199**	**$ 1,335,034**

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Total Assets-				
Japan	¥1,071,297	¥1,187,190	**¥1,220,780**	**$10,434,017**
The Americas	188,644	206,979	**240,726**	**2,057,487**
Europe	188,184	228,568	**235,897**	**2,016,214**
Other	63,701	66,319	**79,102**	**676,085**
Elimination	(116,594)	(143,410)	**(152,438)**	**(1,302,889)**
Corporate assets	457,561	408,023	**417,116**	**3,565,095**
Consolidated	¥1,852,793	¥1,953,669	**¥2,041,183**	**$17,446,009**

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, 2004, 2005 and 2006.

18. SUPPLEMENTARY INFORMATION TO THE STATEMENT OF INCOME

The following amounts were charged to selling, general and administrative expenses for the years ended March 31, 2004, 2005 and 2006:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2005	**2006**	**2006**
Research and development costs	¥92,515	¥110,478	**¥110,385**	**$943,462**
Advertising costs	17,950	16,442	**15,732**	**134,462**
Shipping and handling costs	12,352	14,043	**16,058**	**137,248**

19. SUBSEQUENT EVENT

On May 31, 2006, San-Ai Co., Ltd., a subsidiary of the Company, completed the sale of its content distribution business to Giga Networks Co., Ltd., a subsidiary of Faith, Inc. The sale price was ¥12.0 billion. The Company expects to recognize a gain on this sale equal to ¥5.0 billion.

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, 2005 and 2006, 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, 2006, 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, 2005 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2006, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2006 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 26, 2006, except for note 19 which is as of May 31, 2006

Corporate Philosophy/Management Philosophy/Ricoh General Principles on the Environment

The Ricoh Group's corporate philosophy was established by its founder, Kiyoshi Ichimura. He explained the philosophy as follows: Everyone starts by loving himself/herself. As time passes, however, this feeling grows and expands to include all people, plants, and animals in the world. This philosophy drives the Ricoh Group toward better sustainable management.

Corporate Philosophy

Love your neighbor
Love your country
Love your work

–The Spirit of Three Loves–

Ricoh's management philosophy was formally introduced in 1986 based on the Company's corporate philosophy in order to establish and nurture the corporate culture and system so that survival in a time filled with increasing change, information-oriented societies, diverse values, and more intense competition could be ensured.

Management Philosophy

Our Purpose

To constantly create new value
for the world at the interface of people
and information

Our Goal

To be a good global corporate citizen
with reliability and appeal

Our Principles

To think as an entrepreneur
To put ourselves in the other person's place
To find personal value in our work

Ricoh introduced the Ricoh General Principles on the Environment, which are based on its management philosophy, in 1992 and revised them in 1998 and 2004. These principles show Ricoh's commitment to sustainable management and are widely disclosed to the public through various media, including websites. Based on these principles, Ricoh Group companies have independently established and managed their own rules regarding the environment according to their business type.

Ricoh Group Environmental Principles

Basic Policy

As a global citizen, Ricoh group is obligation-conscious of environmental conservation. In addition, we strive to honor our environmental responsibilities and concentrate company-wide efforts in environmental conservation activities, implementation of which we believe to be as significant as our business operations.

Action Guidelines

1. Complying with domestic and international regulations as a matter of course, we dutifully fulfill our responsibilities, setting goals toward minimizing the environmental consequences of business practice in keeping up with broader social expectations. In achieving these goals, we endeavor to create economic values.
2. We take steps to develop and promote technology that will enable us to reduce negative environmental consequences, and proactively utilize such innovations.
3. In all our business activities, we strive for awareness of environmental impact, thereby involving all Ricoh employees in implementing continuous improvements to prevent pollution, use energy and natural resources more efficiently.
4. To provide our products and services, we spare no effort to reduce environmental effects in all stages of product lifecycle, from procurement, manufacturing, sale, and logistics, to usage, recycling, and disposal.
5. We at Ricoh wish each employee to be attentive to a broader range of social issues and mindful of enhancing environmental awareness through proactive learning processes, designed to commit the employee to environmental conservation activities according to his or her responsibility.
6. Coordinating closely with every country and region, we contribute to wider society, for whom we actively disclose information, participate, and assist in environmental conservation activities.

Established in February,1992; revised in October, 2004.

The Ricoh Group CSR Charter

As the Ricoh Group's role and influence as a global citizen and a member of society increases, so too does its social responsibilities. As a result of the enhanced globalization and group management of its corporate activities, the Ricoh Group now covers many countries around the world and is made up of people with various values. The Ricoh Group CSR Charter, which enshrines the Group's corporate activity principles, was established on January 1, 2004 in response to the need for common values and activity principles that can be shared globally across the Group.

To grow as a respected enterprise, the Ricoh Group must fully discharge its corporate social responsibility (CSR) from a consistent global perspective and throughout every aspect of its operations. To ensure this, the following principles are to be observed, with the proper social awareness and understanding, compliant with both the letter and the spirit of national laws and the rules of international conduct.

● Integrity in Corporate Activities

1. Every company in the Ricoh Group will develop and provide useful products and services, with high quality, safety, reliability and ease of use, while maintaining security of information and giving proper consideration to the environment.
2. Every company in the Ricoh Group will compete fairly, openly and freely, maintaining normal and healthy relationships with political institutions, government administration, citizens and organizations.
3. Every company in the Ricoh Group will take responsibility for managing and safeguarding its own information and that of its customers.

● Harmony with the Environment

4. Every company in the Ricoh Group will take responsibility, as a citizen of the world, working voluntarily and actively to preserve the environment.
5. Every company in the Ricoh Group, and all employees of each company, will seek to implement technological innovations that reflect environmental concerns and will participate in ongoing activities to preserve the environment.

● Respect for People

6. Every company in the Ricoh Group will, quite apart from corporate group activities, maintain a working environment that is safe and that makes it easier for its staff to do perform their duties, respecting their richly individual characteristics and encouraging their autonomy and creativity.
7. Every company in the Ricoh Group will respect the rights of all those connected with it, and will seek to create a cheerful working environment, free of discrimination.
8. No company in the Ricoh Group will permit forced labor or child labor, and none will tolerate the infringement of human rights.

● Harmony with Society

9. Every company in the Ricoh Group will, as a good corporate citizen, actively engage in activities that contribute to society.
10. Every company in the Ricoh Group will respect the culture and customs of its country or region, and will operate so as to contribute to their development.
11. Every company in the Ricoh Group will engage in the fullest possible communications with society, seeking actively to provide the proper and unbiased disclosure of corporate information.

Ricoh Group Code of Conduct

Ricoh established the Ricoh Group Code of Conduct by revising the Ricoh Business Code of Conduct to reflect more responsible corporate activities that achieve harmony with society and the global environment together with the establishment of the Ricoh Group CSR Charter. Please refer to Ricoh's Web site for details.

Resolutions regarding basic policy on internal control systems

The Company made the following resolutions at the Board of Directors' Meeting held on May 17, 2006 regarding basic policy on construction of internal control systems.

1. System to ensure the efficient implementation of directors' duties and compliance with laws and Articles of Incorporation

The Company promotes a sense of alertness in execution of management and execution of business, and in addition uses the following management structures in order to further improve its quality and speediness.

(1) Management transparency and fairness of decision-making are strengthened by the presence of outside directors.

(2) As part of the strengthening of management oversight functions by the Board of Directors, the "Nomination and Compensation Committee," a permanent organization composed of outside directors and designated internal directors, makes propositions and resolutions concerning the regulation of the nomination, dismissal and compensation of directors and executive officers, etc.

(3) The executive officer system, its division of duties clarified, is speeding up the decision-making process through the attribution of authority to each business division.

(4) The "Group Management Committee" (GMC) is a decision-making organization delegated by the Board of Directors, and composed of executive officers who meet certain qualifications. The GMC operates so as to accelerate consideration and decision-making from the perspective of the optimum management of the entire Group, concerning proposals on the most appropriate strategies for direction of each business division and the entire Group, within the limits granted to it.

(5) The "Disclosure Committee" is an independent organization that assures the accuracy, timeliness and comprehensiveness of disclosure of corporate information, and it performs checks on the process for the production of disclosed information.

2. Systems related to the retention and management of information related to the implementation of directors' duties

Records and proposals related to decisions by directors in the course of their duties are collated retained and managed in compliance with applicable laws, regulations and internal rules. Documents are kept so that they can be retrieved and produced in response to a request from directors and corporate auditors.

3. Regulations and other structures regarding risk management for losses

(1) The occurrence of losses shall be proactively prevented based on regulations for risk management.

(2) Should losses nevertheless arise, efforts shall be made to minimize damage (loss) based on standards for initial reaction.

(3) In order to manage losses as a Group, comprehensively and in a unified fashion, a division responsible for integrated management will be created that will thoroughly cover all aspects globally.

4. Systems to ensure appropriate compliance with laws, and Articles of Incorporation concerning the performance of employee's duties

(1) In order to thoroughly implement the "Ricoh Group CSR Charter " which sets forth the principles of corporate behavior with regard to CSR including compliance, and the "Ricoh Group Code of Conduct" which shows the general rules of conduct for Ricoh Group employees, the CSR Committee is in the process of setting up a "Hot Line" for reporting incidents and seeking advice, worldwide, and provides training. Every effort is being made to enhance compliance domestically and overseas.

(2) Strengthening and enhancing internal controls
Efforts are being made to improve business processes and construct a framework for standardized internal control throughout the entire Ricoh Group, with the goal of “complying with laws, norms and internal rules,” “improvement of business effectiveness and efficiency” and “maintaining high reliability of financial reporting,” including compliance to the section 404 of the Sarbanes-Oxley Act of 2002, and other relevant laws and regulations.

(3) Internal auditing
An internal auditing department shall perform fair and objective examination and evaluation of how each division is executing its business based on legal compliance and rational criteria, and provide advice or recommendation for improvement.

5. Systems to ensure correct business standards in the Ricoh group composed of the company and its affiliates

Ricoh and each affiliate in the Ricoh Group shall devise a system that will ensure the adherence to correct business standards to improve business performance and enhance the prosperity of each Group company, while keeping mutual respect for their independence, as follows:

(1) The Company’s Board of Directors and the “Group Management Committee” (GMC) make decisions and perform management oversight for the Ricoh Group as a whole. To ensure the efficacy of such efforts, they establish management regulations concerning affiliate companies, and set up relevant administrative organizations in order to manage the Group.

(2) The “Ricoh Group Standard” (RGS) represents a set of common rules to be followed by the entire Group.

6. Matters regarding employees whom auditors request to assist them in the performance of their duties

A system shall be established to assist work duties through directives from auditors, and to select employees who shall assist the auditors in their work.

7. Matters related to the independence of auditors’ staff from directors described in No. 6 above

When an employee (as in No. 6 above) assists auditors in their work, he or she shall not be subject to orders given by directors. In addition, decisions concerning personnel assessments or personnel changes regarding said employees shall be made only after hearing the opinions of the auditors.

8. Systems to enable directors or employees to report to auditors, and other systems related to reporting to auditors

Directors or employees shall report to auditors matters concerning laws and regulations, as well as “important matters decided by directors which affect the entire company,” “the results of internal audits,” “the status of reporting via the internal reporting system,” and “matters which auditors have sought reports about.”

9. Systems established to ensure the efficacious performance of auditing responsibilities by auditors

Auditors shall perform audits thoroughly by attending the board of directors meetings and management meetings, receiving reports on exercise of function from the directors and executive officers, reviewing important resolution documents, and investigating the status of operations of divisions and group companies.