
Financial Section

Management's Discussion and Analysis of Fiscal 2007 Results	23
Selected Financial Data	29
Consolidated Balance Sheets	31
Consolidated Statements of Income	33
Consolidated Statements of Shareholders' Investment	34
Consolidated Statements of Cash Flows	35
Notes to Consolidated Financial Statements	36
Management's Report on Internal Control Over Financial Reporting	64
Report of Independent Registered Public Accounting Firm	65
Corporate Social Responsibility	67
Ricoh's Global Network	69
Senior Management	70
Corporate Data	71

Management's Discussion and Analysis of Fiscal 2007 Results

Sales

Consolidated net sales of Ricoh Group for fiscal year 2007 (April 1, 2006 to March 31, 2007) increased by 8.4% to ¥2,068.9 billion (\$17,533 million) from the previous corresponding period. This marks the thirteenth consecutive year-on-year revenue increase and the first time the Group achieved sales exceeding ¥2 trillion. During this period, the average yen exchange rates were ¥117.02 against the U.S. dollar (down ¥3.76) and ¥150.08 against the euro (down ¥12.22). Sales would have increased by 5.2% if not for the effects of foreign currency fluctuations. Sales in all the segments such as the Office Solutions, Industrial Products and Other increased. The increase in sales in the Office Solutions was due mainly to continuous growth in sales of digital plain paper copiers (PPCs), multifunctional printers (MFPs) and printers, mainly for color products. Sales of IT services also increased resulting from the expansion of the solutions business. As for Industrial Products, sales in semiconductors, electronic components and thermal media businesses increased. Other areas experiencing increased its sales of financing business as well as digital cameras. As a result, domestic sales increased by 3.7% from the previous corresponding period, to ¥1,002.2 billion (\$8,494 million). Overseas sales also increased by 13.1% from the previous corresponding period, to ¥1,066.6 billion (\$9,040 million). Both domestic and overseas sales exceeded ¥1 trillion for the first time ever.

Operating Income

Gross profit increased by 8.5% from the previous corresponding period, to ¥862.4 billion (\$7,309 million). This increase was primarily due to the increased sales of value-added high-margin products such as MFPs in addition to ongoing cost management controls. Foreign currency fluctuations also served as a factor behind the profit increase. Selling, general and administrative expenses increased by 6.4% from the previous corresponding period, to ¥688.0 billion (\$5,831 million). R&D expenses remained high level due to its focus on developing new products and the development of core operating systems. Additionally due to our accelerated efforts in implementing measures for enhancing our capabilities to provide solutions and expanding business spheres, operating expenses increased. Ricoh did start to see the positive effect of its structural reform initiatives such as enhancing the efficiency of the core operations. Consequently, the percentage of selling, general and administrative expenses against total sales decreased by 0.5 percentage points from the previous corresponding period, to 33.3%. R&D expenses increased by ¥4.5 billion from the previous corresponding period, to ¥114.9 billion (\$974 million, 5.6% of total sales). As a result, operating income increased by 17.4% from the previous corresponding period, to ¥174.3 billion (\$1,478 million).

Income before Income Taxes

In the other (income) expenses, both interest expenses and income increased as a result of higher market interest rates as compared to the previous corresponding period. The foreign exchange gains in the previous corresponding period was relatively higher. Consequently, the other (income) expenses decreased.

As a result, income from continuing operations before income taxes increased by 14.2% from the previous corresponding period, to ¥174.5 billion (\$1,479 million).

Net Income

The effective tax rate was the same level as previous corresponding period, 36.9% due to tax credits resulting from R&D expenses. Income from discontinued operations was ¥5.5 billion (\$47 million), net of tax. Income from discontinued operations consisted of the gain on the sale of the content delivery service operation and income from operations from the beginning of this fiscal year to the sale. The sale amount of the content delivery service was ¥12.0 billion (\$102 million). As a result, net income from continuing operations increased by 11.8% from the previous corresponding period, to ¥106.2 billion (\$900 million). Net income from all business operations including discontinued business operations increased by 15.1% from the previous corresponding period, to ¥111.7 billion (\$947 million). This marks the highest net income achieved for two consecutive years and the amount exceeded ¥100.0 billion for the first time in the Ricoh's history. The performance of the European office equipment sales and services operations acquired from Danka Business Systems PLC as of January 31, 2007 was included in Ricoh Group's financial statements for this fiscal year.

A year-end cash dividend of ¥15.00 per share was approved at the Ordinary General Meeting of Shareholders held on June 27, 2007. Combined with the interim dividend of ¥13.00 per share, the total dividend for the fiscal year ended March 31, 2007 was ¥28.00 (\$0.24) per share.

Segment Information

CONSOLIDATED SALES BY PRODUCT LINE

1. Office Solutions

Net sales in the Office Solutions segment which consists of Imaging Solutions and Network System Solutions increased by 8.4% from the previous corresponding period, to ¥1,774.4 billion (\$15,038 million) despite stiff competition against other manufacturers regarding the color equipment and solutions business. The breakdown of sales for Imaging Solutions and Network System Solutions is as shown below.

The sales would have increased by 4.9% excluding the effects of foreign currency fluctuations.

Imaging Solutions

Sales of PPCs, MFPs and laser and GELJET printers, mainly color equipment, increased both in Japan and overseas due to its expanding product lines and enhanced solution sales structures. The new color MFP products launched as a standard new-generation color model played a large role in this sales increase. Overall sales increased by 9.2% from the previous corresponding period, to ¥1,580.1 billion(\$13,391 million).

The sales would have increased by 5.3% excluding the effects of foreign currency fluctuations.

Network System Solutions

The increase in sales of IT services was due to the expansion of

solutions business. The sales of personal computers and PC servers increased slightly in Japan. As a result, sales in this category increased by 2.0% from the previous corresponding period, to ¥194.3 billion(\$1,647 million).

2. Industrial Products

Net sales in the Industrial Products segment increased by 10.6% from the previous corresponding period, to ¥133.3 billion(\$1,130 million). Sales in semiconductors, thermal media, electronic components as well as measuring equipments increased.

3. Other

Net sales in this category increased by 6.4% from the previous corresponding period, to ¥161.0 billion(\$1,365 million). Sales of digital cameras in both Japan and the overseas markets increased in addition to good performance of financing services in Japan.

SALES BY PRODUCT LINE

	2006		2007		
	Millions of Yen	Percentage of net sales	Millions of Yen	Percentage of net sales	Thousands of U.S.Dollars
Office Solutions					
Imaging Solutions	¥1,446,635	75.8%	¥1,580,155	76.4%	\$13,391,144
Network System Solutions	190,593	10.0	194,312	9.4	1,646,712
Industrial Products	120,636	6.3	133,387	6.4	1,130,398
Other	151,374	7.9	161,071	7.8	1,365,009
Total	¥1,909,238	100.0%	¥2,068,925	100.0%	\$17,533,263

* As a result of the sale of a business, the operating results from the discontinued operations have been reclassified in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

CONSOLIDATED SALES BY GEOGRAPHIC AREA

1. Japan

While the Japanese economy was on the upswing, consumers' spending remained flat. In this market circumstances, Ricoh launched its new products and offered a wide range of solutions in an effort to cultivate a growing customers' needs for solutions and color products in the office solutions market. This effort resulted in a significant sales increase in color MFPs and color printers and increase in sales of IT services with the previous corresponding period. In the Industrial Products, sales in thermal media, semiconductors, electronic components and measuring equipments increased. Sales in the Other increased due to the favorable performance of financing business as well as digital cameras. Overall sales in Japan increased by 3.7% from the previous corresponding period.

2. The Americas

The slump in the US housing market has precipitated a decline in the

economy. The Office Solutions segment focused on strengthening sales structures and expanding product lines in order to provide the best solutions to meet the diverse range of customer needs for color, networking and high-speed products. As a result, sales of PPCs, MFPs and laser and GELJET printers exceeded the last fiscal year's level in both color and black/white product categories, bringing overall sales in the Office Solutions segment up 10.1% over sales for the previous corresponding period. Sales in the Industrial Products segment also increased due to the favorable performance of the electronic component business. These factors combined resulted in a 10.1% increase in the sales in the Americas. The increase in sales in this area would have increased by 6.5% excluding the effects of foreign currency fluctuations.

3. Europe

As the European economy remaining on a steady footing, the Office Solutions segment proceeded with strengthening sales structures and expanding product lines in order to provide the best solutions to meet a diverse range of customers' needs. As a result, sales of PPCs, MFPs and

laser and GELJET printers exceeded last year's level in both color and black/white product categories, bringing overall sales in the Office Solutions segment up 16.3% over the previous corresponding period. Sales in the Industrial Products also increased due to the favorable performance of the thermal media business. These factors all resulted in a 16.6% increase in sales in Europe. The increase in sales in this area would have increased by 7.2% excluding the effects of foreign currency fluctuations.

4. Other

Other including China, other Asian countries and Oceania generally

experienced economic evolution, with the Chinese economic continuous rapid growth despite a slight slowdown in some areas. Against this backdrop, the Office Solutions segment achieved higher sales of PPCs, MFPs and laser and GELJET printers, largely for color products, in comparison with the previous corresponding period due to the increasing demand for color products. Sales in the Industrial Products segment also increased due to the favorable performance of the semiconductor business. These factors all resulted in a 10.1% increase in overall sales in this area. The sales increase in this area would have increased by 5.0% excluding the effects of foreign currency fluctuations.

SALES BY GEOGRAPHIC AREA

	2006		2007		Thousands of U.S.Dollars
	Millions of Yen	Percentage of net sales	Millions of Yen	Percentage of net sales	
Japan	¥ 966,224	50.6%	¥ 1,002,251	48.4%	\$8,493,653
The Americas	387,412	20.3	426,453	20.6	3,614,008
Europe	434,800	22.8	507,158	24.5	4,297,949
Other	120,802	6.3	133,063	6.5	1,127,653
Total	¥1,909,238	100.0%	¥2,068,925	100.0%	\$17,533,263

* As a result of the sale of a business, the operating results from the discontinued operations have been reclassified in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

Financial Position

In assets, trade receivables, inventories and finance receivables increased along with the expansion of business from the end of the previous period. Cash and cash equivalents securities temporarily increased at a high level at the end of this period in preparation for the joint venture company to be commenced with IBM Corporation. Investments and other assets increased due to the increase in goodwill resulted from the acquisition of the European operations acquired from Danka Business Systems PLC. As a result, total assets increased by ¥202.2 billion to ¥2,243.4 billion (\$19,012 million). As for liabilities, trade payables and other current liabilities increased from the end of the previous period. Despite our effort to reduce interest-bearing debt through the enhancement of cash management in Japan, the Americas and Europe, the financing for business investments exceeded the reduction. As a result, total liabilities increased by ¥87.5 billion to ¥1,115.6 billion (\$9,454 million). In shareholders' investment, there was no major change in common stock or additional paid-in capital. Accumulated other comprehensive income increased due to the increase in cumulative translation adjustments. As a result, total shareholders' investment increased by ¥110.6 billion to ¥1,070.9 billion (\$9,076 million) due to the increase in retained earnings resulting from earning profit.

Cash Flows

Net cash provided by operating activities decreased by ¥6.1 billion from the previous corresponding period, to ¥167.2 billion (\$1,418 million). While net income and depreciation and amortization increased, trade receivables and finance receivables increased due to the business expansion. Net cash used in investing activities decreased by ¥4.6 billion from the previous corresponding period, to ¥115.4 billion (\$978 million), due primarily to the decrease in capital investments. Net cash used in investing activities included the acquisition of new subsidiaries from Danka Business Systems PLC as well as the proceeds from the sale of discontinued operations. As a result, free cash flow generated by operating activities and investment activities decreased by ¥1.5 billion from the previous corresponding period, to ¥51.8 billion (\$440 million). While net cash used in financing activities was ¥59.9 billion in the previous corresponding period, net cash provided from financing activities was ¥9.2 billion (\$79 million). The increase in net cash was due mainly to the proceeds from issuance of convertible bonds (¥55.2 billion, issued on December 7, 2006). As a result of the above, the ending balance of cash and cash equivalents increased by ¥68.6 billion from the end of the previous corresponding period, to ¥255.7 billion (\$2,167 million).

LONG-TERM INDEBTEDNESS (Excluding Capital Lease Obligations and SFAS No. 133 fair value adjustment)		Millions of Yen								
		Average pay rate	Total	Expected maturity date					2013 and thereafter	Fair Value
				2008	2009	2010	2011	2012		
Bonds	1.32%	¥ 64,999	¥10,000	¥25,000	¥20,000	¥ 9,999	¥ -	¥ -	¥63,900	
Convertible Bonds	-	55,256	-	-	-	-	55,256	-	50,650	
Loans	1.48	201,580	76,764	52,119	49,919	11,594	11,169	15	200,464	
Total		¥321,835	¥86,764	¥77,119	¥69,919	¥21,593	¥66,425	¥15	¥315,014	

		Thousand of U.S. Dollars								
		Average pay rate	Total	Expected maturity date					2013 and thereafter	Fair Value
				2008	2009	2010	2011	2012		
Bonds	1.32%	\$ 550,839	\$ 84,746	\$211,864	\$169,492	\$ 84,737	\$ -	\$ -	\$ 541,525	
Convertible Bonds	-	468,271	-	-	-	-	468,271	-	429,237	
Loans	1.48	1,708,305	650,542	441,686	423,042	98,254	94,653	127	1,698,846	
Total		\$2,727,415	\$735,288	\$653,551	\$592,534	\$182,992	\$562,924	\$127	\$2,669,610	

INTEREST RATE SWAPS				Millions of Yen											
				Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	Expected maturity date					2013 and thereafter	Fair Value
									2008	2009	2010	2011	2012		
¥ 90,000	Receive floating/Pay fixed	0.64%	0.95%	¥ 90,000	¥ 10,000	¥45,000	¥ 15,000	¥ 20,000	¥ -	¥ -	¥ -	¥ 1			
24,000	Receive fixed/Pay floating	1.92	0.61	24,000	-	6,000	-	10,000	8,000	-	-	517			
US\$ 190	Receive floating/Pay fixed	5.62%	4.64%	¥ 22,430	¥ -	¥ -	¥ 22,430	¥ -	¥ -	¥ -	¥ -	¥ 227			
45	Receive fixed/Pay fixed	6.00	5.90	5,312	5,312	-	-	-	-	-	-	6			

				Thousand of U.S. Dollars											
				Notional amounts (Millions)	Type of swap	Average receive rate	Average pay rate	Total	Expected maturity date					2013 and thereafter	Fair Value
									2008	2009	2010	2011	2012		
¥ 90,000	Receive floating/Pay fixed	0.64%	0.95%	\$762,712	\$84,746	\$381,356	\$127,119	\$169,492	\$ -	\$ -	\$ -	\$ 8			
24,000	Receive fixed/Pay floating	1.92	0.61	203,390	-	50,847	-	84,746	67,797	-	-	4,381			
US\$ 190	Receive floating/Pay fixed	5.62%	4.64%	\$190,085	\$ -	\$ -	\$190,085	\$ -	\$ -	\$ -	\$ -	\$1,924			
45	Receive fixed/Pay fixed	6.00	5.90	45,017	45,017	-	-	-	-	-	-	51			

Capital Expenditures

Ricoh's capital expenditures for fiscal years 2005, 2006 and 2007 were ¥84.6 billion, ¥102.0 billion and ¥85.8 billion (\$727 million), respectively. Ricoh directs a significant portion of its capital expenditures towards digital and networking equipment, such as PPCs, MFPs and laser and GELJET printers, and manufacturing facilities to maintain or enhance its competitiveness in the industry. Ricoh

projects that for fiscal year 2008, its capital expenditures will amount to approximately ¥90.0 billion (\$763 million), principally for : investments in manufacturing facilities of digital and networking equipment with new engines, toners, semiconductors and thermal media.

Key Financial Ratios

We have provided the following ratios to facilitate analysis of the Company's operations for fiscal years 2005, 2006, and 2007.

	2005	2006	2007
Return on sales	4.6%	5.1%	5.4%
Return on shareholders' investment	10.0%	10.6%	11.0%
Current ratio	1.53	1.53	1.63
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	0.48	0.40	0.39
Interest coverage	28.5	28.9	24.5

* As a result of the sale of a business, the operating results from the discontinued operations have been reclassified in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

Market Risk

MARKET RISK EXPOSURE

Ricoh is exposed to market risks primarily from changes in foreign currency exchange rates and interest rates, which affect outstanding debt and certain assets and liabilities denominated in foreign currencies. To a lesser extent, Ricoh is also exposed to equity price risk. In order to manage these risks that arise in the normal course of business, Ricoh enters into various hedging transactions pursuant to its policies and procedures covering such areas as counterparty exposure and hedging practices. Ricoh does not hold or issue derivative financial instruments for trading purposes or to generate income. Ricoh regularly assesses these market risks based on the policies and procedures established to protect against adverse effects of these risks and other potential exposures, primarily by reference to the market value of the financial instruments. As a result of the latest assessment, Ricoh does not anticipate any material losses in these areas for fiscal year 2007, and there are no material quantitative changes in market

risk exposure at March 31, 2007. In the normal course of business, Ricoh also faces risks that are either non-financial or nonquantifiable. Such risks principally include credit risk and legal risk, and are not represented in the tables.

FOREIGN CURRENCY RISK

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

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

INTEREST RATE RISK

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

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

FOREIGN EXCHANGE FORWARD CONTRACTS

	Average contractual rates	Millions of Yen		Thousand of U.S. Dollars	
		Contract amounts	Estimated fair value	Contract amounts	Estimated fair value
US\$/¥	116.22	¥10,344	¥ 128	\$87,661	\$1,085
EUR/¥	155.54	8,710	(76)	73,814	(644)
US\$/EUR	0.75	7,806	(71)	66,153	(602)

CREDIT RISK

Ricoh is also exposed to credit-related losses in the event of nonperformance by counterparties to the financial instrument; however, credit risk arising from the nonperformance of counterparties to meet the terms of financial instrument contracts is generally limited to the amounts by which the counterparties' obligations exceed the obligations of Ricoh. It is Ricoh's policy to only enter into financial instrument contracts with a diversified group of financial institutions having credit ratings satisfactory to Ricoh to minimize the concentration of credit risk. Therefore, Ricoh does not expect to incur material credit losses on its financial instruments.

EQUITY PRICE RISK

Ricoh has a relatively small portion of marketable securities which are subject to equity price risk arising from changes in their market prices. Marketable securities consist of a diversified pool of 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, 2007.

	Millions of Yen		Thousand of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Debt Securities				
Due with in one year	¥176	¥176	\$1,492	\$1,492
Due after one year through five years	6,000	6,010	50,847	50,932
Equity Securities	49,261	64,110	417,466	543,305
Other	243	243	2,059	2,059
Total	¥55,680	¥70,539	\$471,864	\$597,788

Selected Financial Data

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

	1998	1999	2000
For the Year:			
Net sales	¥1,403,348	¥1,425,999	¥1,447,157
Cost of sales	838,440	857,423	867,148
Selling, general and administrative expenses	475,201	495,029	491,088
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliates	68,428	53,054	70,393
Provision for income taxes	40,210	24,555	28,363
Income from continuing operations	30,131	30,655	41,928
Income from discontinued operations, net of tax	-	-	-
Net income	30,131	30,655	41,928
Capital expenditures	94,117	70,469	58,356
Depreciation and amortization	61,971	67,456	61,946
Per Share Data (in yen and dollars):			
Net income			
Basic	¥ 44.97	¥ 44.33	¥ 60.61
Diluted	41.35	40.94	56.06
Cash dividends paid	11.50	11.00	11.00
At Year-End:			
Total assets	¥1,606,496	¥1,628,017	¥1,543,320
Long-term indebtedness	295,536	344,580	307,962
Shareholders' investment	475,005	487,459	541,506
Working capital	149,783	284,765	297,502
Return on sales	2.1%	2.1%	2.9%
Return on shareholders' investment	6.7	6.4	8.1
Common Stock Price Range (in yen and dollars):			
High	¥ 1,900	¥ 1,634	¥ 2,525
Low	1,270	969	1,078

* As a result of the sale of a business, the operating results from the discontinued operations have been reclassified in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" from fiscal year 2003 to 2006.

Million of Yen							Thousand of U.S. Dollars
2001	2002	2003	2004	2005	2006	2007	2007
¥1,538,262	¥1,672,340	¥1,732,012	¥1,773,306	¥1,807,406	¥1,909,238	¥2,068,925	\$17,533,263
924,893	972,394	991,911	1,013,249	1,058,232	1,114,238	1,206,519	10,224,737
508,264	570,251	610,380	614,652	618,065	646,416	688,026	5,830,729
97,765	113,950	119,708	138,472	130,983	152,766	174,519	1,478,975
43,512	51,147	49,089	54,768	48,840	56,165	64,326	545,136
53,228	61,614	71,648	89,049	80,537	95,022	106,224	900,203
-	-	865	2,717	2,606	2,035	5,500	46,610
53,228	61,614	72,513	91,766	83,143	97,057	111,724	946,814
73,329	75,676	73,948	75,504	84,699	102,049	85,800	727,119
62,142	73,782	76,476	76,897	78,120	84,089	89,632	759,593
¥ 76.85	¥ 88.27	¥ 99.79	¥ 123.63	¥ 112.64	¥ 132.33	¥ 153.10	\$ 1.30
71.02	82.46	96.81	123.63	112.64	132.33	151.89	1.29
11.50	12.00	14.00	15.00	20.00	22.00	25.00	0.21
¥1,704,791	¥1,832,928	¥1,884,922	¥1,852,793	¥1,953,669	¥2,041,183	¥2,243,406	\$19,011,915
217,743	332,995	345,902	281,570	226,567	195,626	236,801	2,006,788
556,728	633,020	657,514	795,131	862,998	960,245	1,070,913	9,075,534
121,446	323,168	372,770	418,511	358,233	359,515	464,480	3,936,271
3.5%	3.7%	4.2%	5.2%	4.6%	5.1%	5.4%	-
9.7	10.4	11.2	12.6	10.0	10.6	11.0	-
¥ 2,495	¥ 2,735	¥ 2,470	¥ 2,365	¥ 2,345	¥ 2,360	¥ 2,775	\$ 23.52
1,627	1,563	1,637	1,607	1,782	1,646	1,991	16.87

Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries
March 31, 2006 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Current assets:			
Cash and cash equivalents	¥ 187,055	¥ 255,737	\$ 2,167,263
Time deposits	1,470	1,417	12,008
Marketable securities	162	177	1,500
Trade receivables-			
Notes	75,678	66,474	563,339
Accounts	391,972	450,231	3,815,517
Less- Allowance for doubtful receivables	(16,031)	(16,555)	(140,297)
Current maturities of long-term finance receivables, net	178,882	193,087	1,636,331
Inventories-			
Finished goods	104,218	113,379	960,839
Work in process and raw materials	65,027	70,975	601,483
Deferred income taxes and other	55,110	65,170	552,288
Total current assets	1,043,543	1,200,092	10,170,271
Property, plant and equipment, at cost:			
Land	46,721	47,007	398,364
Buildings	217,302	227,900	1,931,356
Machinery and equipment	622,038	636,577	5,394,720
Construction in progress	11,541	12,512	106,034
Total	897,602	923,996	7,830,475
Less- Accumulated depreciation	(629,359)	(659,328)	(5,587,525)
Net property, plant and equipment	268,243	264,668	2,242,949
Investments and other assets:			
Long-term finance receivables, net	415,435	435,874	3,693,847
Investment securities	36,419	74,836	634,203
Investments in and advances to affiliates	52,028	15,608	132,271
Goodwill	51,934	72,048	610,576
Other intangible assets	79,175	81,925	694,280
Lease deposits and other	94,406	98,355	833,517
Total investments and other assets	729,397	778,646	6,598,695
Total	¥ 2,041,183	¥ 2,243,406	\$ 19,011,915

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
	2006	2007	2007
Current liabilities:			
Short-term borrowings	¥ 82,520	¥ 91,673	\$ 776,890
Current maturities of long-term indebtedness	103,131	87,174	738,763
Trade payables-			
Notes	25,591	25,000	211,864
Accounts	313,561	342,211	2,900,093
Accrued income taxes	40,936	46,194	391,475
Accrued expenses and other	118,289	143,360	1,214,915
Total current liabilities	684,028	735,612	6,234,000
Long-term liabilities:			
Long-term indebtedness	195,626	236,801	2,006,788
Accrued pension and severance costs	97,020	99,028	839,220
Deferred income taxes	51,374	44,183	374,432
Total long-term liabilities	344,020	380,012	3,220,441
Minority interests	52,890	56,869	481,941
Commitments and contingent liabilities (Note 17)			
Shareholders' investment:			
Common stock;			
Authorized – 1,500,000,000 shares in 2006 and 2007			
Issued and outstanding - 744,912,078 shares and 729,552,274 shares in 2006 and 744,912,078 shares and 729,987,673 shares in 2007	135,364	135,364	1,147,153
Additional paid-in capital	186,450	186,454	1,580,119
Retained earnings	665,394	752,398	6,376,254
Accumulated other comprehensive income	4,099	26,998	228,797
Treasury stock at cost; 15,359,804 shares in 2006 and 14,924,405 shares in 2007	(31,062)	(30,301)	(256,788)
Total shareholders' investment	960,245	1,070,913	9,075,534
Total	¥ 2,041,183	¥ 2,243,406	\$ 19,011,915

Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2005, 2006 and 2007

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Net sales:				
Products	¥ 1,067,736	¥ 1,108,746	¥ 1,189,548	\$ 10,080,915
Post sales and rentals	627,991	693,138	768,965	6,516,653
Other revenue	111,679	107,354	110,412	935,695
Total	1,807,406	1,909,238	2,068,925	17,533,263
Cost of sales:				
Products	713,057	738,962	783,681	6,641,364
Post sales and rentals	259,591	293,559	335,444	2,842,746
Other revenue	85,584	81,717	87,394	740,627
Total	1,058,232	1,114,238	1,206,519	10,224,737
Gross profit	749,174	795,000	862,406	7,308,525
Selling, general and administrative expenses	618,065	646,416	688,026	5,830,729
Operating income	131,109	148,584	174,380	1,477,797
Other (income) expenses:				
Interest and dividend income	(2,242)	(2,896)	(5,501)	(46,619)
Interest expense	4,686	5,244	7,350	62,288
Foreign currency exchange (gain) loss, net	(1,547)	(3,748)	1,199	10,161
Other, net	(771)	(2,782)	(3,187)	(27,008)
Total	126	(4,182)	(139)	(1,178)
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliates	130,983	152,766	174,519	1,478,975
Provision for income taxes:				
Current	39,279	60,857	66,523	563,754
Deferred	9,561	(4,692)	(2,197)	(18,619)
Total	48,840	56,165	64,326	545,136
Income from continuing operations before minority interests and equity in earnings of affiliates	82,143	96,601	110,193	933,839
Minority interests	4,726	4,185	5,508	46,678
Equity in earnings of affiliates	3,120	2,606	1,539	13,042
Income from continuing operations	80,537	95,022	106,224	900,203
Income from discontinued operations, net of tax	2,606	2,035	5,500	46,610
Net income	¥ 83,143	¥ 97,057	¥ 111,724	\$ 946,814

Per share of common stock:	Yen			U.S. Dollars
	2005	2006	2007	2007
Basic:				
Income from continuing operations	¥ 109.11	¥ 129.56	¥ 145.56	\$ 1.23
Income from discontinued operations, net of tax	3.53	2.77	7.54	0.06
Net income	112.64	132.33	153.10	1.30
Diluted:				
Income from continuing operations	¥ 109.11	¥ 129.56	¥ 144.41	\$ 1.22
Income from discontinued operations, net of tax	3.53	2.77	7.48	0.06
Net income	112.64	132.33	151.89	1.29
Cash dividends paid per share	¥ 20.00	¥ 22.00	¥ 25.00	\$ 0.21

Per American Depositary Share, each representing 5 shares of common stock:

Basic:				
Income from continuing operations	¥ 545.55	¥ 647.80	¥ 727.80	\$ 6.17
Income from discontinued operations, net of tax	17.65	13.85	37.70	0.32
Net income	563.20	661.65	765.50	6.49
Diluted:				
Income from continuing operations	¥ 545.55	¥ 647.80	¥ 722.05	\$ 6.12
Income from discontinued operations, net of tax	17.65	13.85	37.40	0.32
Net income	563.20	661.65	759.45	6.44
Cash dividends paid per share	¥ 100.00	¥ 110.00	¥ 125.00	\$ 1.06

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

Consolidated Statements of Shareholders' Investment

Millions of Yen						
Ricoh Company, Ltd. and Consolidated Subsidiaries For the Years Ended March 31, 2005, 2006 and 2007	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' investments
Balance at March 31, 2004	¥ 135,364	¥ 186,599	¥ 515,372	¥ (30,272)	¥ (11,932)	¥ 795,131
Adjustment for change in fiscal year end of consolidated subsidiaries	—	—	777	(1,665)	—	(888)
Balance at April 1, 2004, as adjusted	135,364	186,599	516,149	(31,937)	(11,932)	794,243
Gain (loss) on disposal of treasury stock		(48)				(48)
Dividends declared and approved			(14,777)			(14,777)
Comprehensive income						
Net income			83,143			83,143
Net unrealized holding gains on available-for-sale securities				765		765
Minimum pension liability adjustments				27		27
Net unrealized gains on derivative instruments				141		
Cumulative translation adjustments				9,041		9,041
Total comprehensive income						93,117
Net changes in treasury stock					(9,537)	(9,537)
Balance at March 31, 2005	¥ 135,364	¥ 186,551	¥ 584,515	¥ (21,963)	¥ (21,469)	¥ 862,998
Gain (loss) on disposal of treasury stock		(101)				(101)
Dividends declared and approved			(16,178)			(16,178)
Comprehensive income						
Net income			97,057			97,057
Net unrealized holding gains on available-for-sale securities				4,137		4,137
Minimum pension liability adjustments				7,009		7,009
Net unrealized gains on derivative instruments				40		40
Cumulative translation adjustments				14,876		14,876
Total comprehensive income						123,119
Net changes in treasury stock					(9,593)	(9,593)
Balance at March 31, 2006	¥135,364	¥186,450	¥665,394	¥4,099	¥ (31,062)	¥960,245
Cumulative effect of adjustment from applying SAB108	—	—	(6,464)	—	—	(6,464)
Balance at April 1, 2006, as adjusted	135,364	186,450	658,930	4,099	(31,062)	953,781
Gain (loss) on disposal of treasury stock		4				4
Dividends declared and approved			(18,256)			(18,256)
Comprehensive income						
Net income			111,724			111,724
Net unrealized holding gains on available-for-sale securities				73		73
Minimum pension liability adjustments				970		970
Net unrealized losses on derivative instruments				(185)		(185)
Cumulative translation adjustments				24,774		24,774
Total comprehensive income						137,356
Adjustment to initially apply SFAS 158				(2,733)		(2,733)
Net changes in treasury stock					761	761
Balance at March 31, 2007	¥135,364	¥186,454	¥752,398	¥26,998	¥ (30,301)	¥1,070,913

Thousands of U.S. Dollars						
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' investments
Balance at March 31, 2006	\$1,147,153	\$1,580,085	\$5,638,932	\$ 34,737	\$ (263,237)	\$8,137,669
Cumulative effect of adjustment from applying SAB108	—	—	(54,780)	—	—	(54,780)
Balance at April 1, 2006, as adjusted	1,147,153	1,580,085	5,584,153	34,737	(263,237)	8,082,890
Gain (loss) on disposal of treasury stock		34				34
Dividends declared and approved			(154,712)			(154,712)
Comprehensive income						
Net income			946,814			946,814
Net unrealized holding gains on available-for-sale securities				619		619
Minimum pension liability adjustments				8,220		8,220
Net unrealized losses on derivative instruments				(1,568)		(1,568)
Cumulative translation adjustments				209,949		209,949
Total comprehensive income						1,164,034
Adjustment to initially apply SFAS 158				(23,161)		(23,161)
Net changes in treasury stock					6,449	6,449
Balance at March 31, 2007	\$1,147,153	\$1,580,119	\$6,376,254	\$228,797	\$ (256,788)	\$9,075,534

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, 2005, 2006 and 2007

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	¥ 83,143	¥ 97,057	¥ 111,724	\$ 946,814
Income from discontinued operations, net of tax	(2,606)	(2,035)	(5,500)	(46,610)
Income from continuing operations	80,537	95,022	106,224	900,203
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	78,120	84,089	89,632	759,593
Equity in earnings of affiliates, net of dividends received	(1,966)	(1,431)	(711)	(6,025)
Deferred income taxes	9,561	(4,692)	(2,197)	(18,619)
Losses on disposals and sales of property, plant and equipment	4,056	920	3,722	31,542
Pension and severance costs, less payments	4,306	3,340	(773)	(6,551)
Changes in assets and liabilities, net of effects from acquisition-				
(Increase) decrease in trade receivables	(26,418)	13,411	(15,919)	(134,907)
(Increase) decrease in inventories	(12,885)	3,726	(1,494)	(12,661)
Increase in finance receivables	(30,294)	(30,029)	(28,047)	(237,686)
(Decrease) increase in trade payables	27,364	(4,442)	2,199	18,636
(Decrease) increase in accrued income taxes and accrued expenses and other	(13,740)	2,505	11,175	94,703
Other, net	10,529	11,060	3,486	29,542
Net cash provided by operating activities	129,170	173,479	167,297	1,417,771
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales of property, plant and equipment	721	3,085	463	3,924
Expenditures for property, plant and equipment	(84,074)	(101,788)	(85,747)	(726,669)
Payments for purchases of available-for-sale securities	(79,431)	(138,607)	(97,158)	(823,373)
Proceeds from sales of available-for-sale securities	118,120	141,620	96,087	814,297
(Increase) decrease in time deposits	(484)	(136)	64	542
Proceeds from sales of discontinued operations	—	—	12,000	101,695
Acquisitions of subsidiaries, net of cash acquired	(43,214)	—	(23,200)	(196,610)
Other, net	(7,719)	(24,225)	(17,941)	(152,042)
Net cash used in investing activities	(96,081)	(120,051)	(115,432)	(978,237)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term indebtedness	72,206	63,751	60,157	509,805
Repayment of long-term indebtedness	(60,613)	(93,752)	(49,115)	(416,229)
(Decrease) increase in short-term borrowings, net	(38,052)	39,618	8,362	70,864
Proceeds from issuance of long-term debt securities	18,000	10,000	65,274	553,169
Repayment of long-term debt securities	(22,000)	(52,000)	(55,000)	(466,102)
Dividends paid	(14,793)	(16,178)	(18,240)	(154,576)
Payment for purchase of treasury stock	(10,624)	(10,653)	(799)	(6,771)
Other, net	(563)	(775)	(1,357)	(11,500)
Net cash provided by (used in) financing activities	(56,439)	(59,989)	9,282	78,661
CASH FLOWS OF DISCONTINUED OPERATIONS				
Net, operating cash flows:	3,610	3,390	838	7,102
Net, investing cash flows:	(117)	(14)	(13)	(110)
Net, financing cash flows:	—	—	—	—
Effect of exchange rate change on cash and cash equivalents from discontinued operations	—	—	—	—
Net increase in cash and cash equivalents from discontinued operations	3,493	3,376	825	6,992
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	1,200	3,383	6,710	56,864
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,657)	198	68,682	582,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	203,039	186,857	187,055	1,585,212
ADJUSTMENT FOR CHANGE IN FISCAL YEAR END OF CONSOLIDATED SUBSIDIARIES	2,475	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 186,857	¥ 187,055	¥ 255,737	\$ 2,167,263
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
CASH PAID DURING THE YEAR FOR-				
Interest	¥ 5,402	¥ 5,717	¥ 8,222	\$ 69,678
Income taxes	40,803	44,854	66,603	564,432

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 the years in the three year period ended March 31, 2007 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, 2007 is included solely for the convenience of readers outside Japan and has been made using the exchange rate of ¥118 to US\$1, the approximate rate of exchange prevailing at the Federal Reserve Bank of New York on March 31, 2007. 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% 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 Emerging Issues Task Force Issue (“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.

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 16, 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, "Accounting for Derivative Instruments and Hedging Activities" as amended, Ricoh recognizes 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, 2006 and 2007, 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 Ricoh 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.

(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 30% 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, 2005, 2006 and 2007 are summarized below:

	2005	2006	2007
Buildings	8.5%	8.9%	9.8%
Machinery and equipment	43.8	40.5	40.8

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, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Aggregate cost	¥6,895	¥7,341	\$62,212
Accumulated depreciation	4,911	5,761	48,822

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2007 were ¥1,735 million (\$14,703 thousand) and ¥1,623 million (\$13,754 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

In accordance with Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", Ricoh capitalizes qualifying cost of computer software. Costs incurred during the application development stage as well as upgrades and enhancements that results in additional functionality are capitalized. The capitalized software is amortized on a straight line basis over their estimated useful lives.

(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 when an indication of impairment is identified in accordance with SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Other intangible assets with definite useful lives, consisting primarily of

software, patents, customer relationships and tradenames are amortized on a straight line basis over 3 years to 20 years. 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, 2005, 2006 and 2007 and determined that no 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" and SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Under SFAS 158, Ricoh recognized the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension fund plans as of the end of fiscal year's consolidated balance sheets, with a corresponding adjustment in initially applying SFAS 158 to accumulated other comprehensive income (loss), net of tax. 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 share of common stock is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period. The calculation of diluted net income per share of common stock 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.

(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
	2005	2006	2007	2007
Capital lease obligations incurred	¥ 865	¥ 261	¥ 54	\$ 458
Issuance of treasury stock in exchange for subsidiary's stock	2,545	905	—	—

(t) Use of Estimates

Management of Ricoh 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.

Ricoh 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) Discontinued Operations

On May 31, 2006, the Company's subsidiary San-Ai Co., Ltd. sold its digital content distribution business to Giga Networks Co., Ltd. (former Mobile Alliance Co., Ltd.). As a result of the sale, the operating result of the business units sold were reclassified to discontinued operations pursuant to the requirement on SFAS 144, because Ricoh has no significant continuing involvement in the operating sold. Reclassifications have been made to the prior year's consolidated statements of income and consolidated statements of cash flows to conform the presentation used for the year ended March 31, 2007.

(v) Adoption of SAB 108

The Securities and Exchange Commission of the U.S. issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" in September 2006. SAB 108 requires companies to quantify misstatements using both the balance sheet approach and the income statement approach ("dual" method), and to evaluate the importance of misstatements taking into account relevant quantitative and qualitative factors. Historically, the Company used the income statement ("rollover") approach to quantify misstatements. Upon adoption, SAB 108 permits the Company to adjust the cumulative effect of misstatements that were previously considered immaterial under the rollover method that are now considered material under the dual method. SAB 108 is effective for fiscal years ending after November 15, 2006. The Company adopted SAB 108 in the fourth quarter of fiscal year 2007.

The Company and some of its domestic consolidated subsidiaries previously set the residual value of tangible fixed assets at 5% of acquisition cost in principle using the standards provided in the Corporate Tax Law. However, based on an evaluation of residual values realized from disposition of property, plant and equipment, Ricoh concluded that the residual value of substantially all long lived assets is negligible at the end of useful life. This misstatement was considered immaterial to the Company's historical consolidated financial statements using the income statement approach.

Accordingly, Ricoh recorded an increase in accumulated depreciation of ¥11,464 million (\$97,153 thousand) and an increase in deferred tax (included in "Lease deposits and other") of ¥4,675 million (\$39,619 thousand) as of April 1, 2006 with a reduction of the beginning of year balance of retained earnings of ¥6,464 million (\$54,780 thousand).

(w) New Accounting Standards

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 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 fiscal years beginning after September 15, 2006 and is required to be adopted by Ricoh in 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.

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, 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 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.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, where fair value is the relevant measurement attribute. The standard does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and is required to be adopted by Ricoh in fiscal year beginning April 1, 2008. The Company is currently evaluating the effect that the adoption of SFAS 157 will have on its consolidated results of operations and financial condition.

In September 2006, the FASB issued SFAS 158. SFAS 158 requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements and to recognize changes in that funded status in comprehensive income (loss) in the year in which the changes occur. SFAS 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor's year-end. The standard provides two transition alternatives related to the change in measurement date provisions. The recognition of an asset and liability related to the funded status provision is effective for fiscal years ending after December 15, 2006. The effect of adoption of SFAS 158 on Ricoh's financial condition as of March 31, 2007 has been included in the accompanying consolidated financial statement. The change in measurement date provisions is effective for fiscal years ending after December 15, 2008 and is required

to be adopted by Ricoh in fiscal year beginning April 1, 2008. The Company is currently evaluating the effect that the adoption measurement date provisions will have on its consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB statement No. 115". SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS 159 is effective for fiscal year beginning after November 15, 2007, and is required to be adopted by Ricoh in fiscal year beginning April 1, 2008. The Company is currently evaluating the effect that the adoption of SFAS 159 will have on its consolidated results of operations and financial condition.

In July 2006, the FASB released FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109". FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 shall be effective for fiscal years beginning after December 15, 2006 and is required to be adopted by Ricoh in fiscal year beginning April 1, 2007. The Company is currently evaluating the effect that the adoption of FIN 48 will have on its consolidated results of operations and financial condition.

3. ACQUISITION

In January 2007, Ricoh Europe B.V., which is a wholly-owned subsidiary of the Company acquired the European operations of Danka Business Systems PLC (now known as Infotec Europe B.V.) for total cash consideration of ¥27,132 million (\$229,932 thousand) including direct acquisition costs. Ricoh made the acquisition to strengthen its sales and service network in major countries in Europe.

Ricoh used the purchase method of accounting to account for the acquisition and, accordingly, the purchase price has been allocated to the tangible and intangible net assets of Infotec Europe B.V. 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 ¥18,658 million (\$158,119 thousand) was recorded as goodwill which is not tax deductible. Assets, liabilities and operations of Infotec Europe B.V. have been included in the accompanying consolidated financial statements since the acquisition date.

The following table reflects the January 31, 2007 condensed balance sheet of Infotec Europe B.V., as adjusted to give effect to the purchase method accounting adjustments:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 3,839	\$ 32,534
Receivables and other assets	22,385	189,703
Property and equipment	1,434	12,153
Identifiable intangible assets	4,883	41,381
Goodwill	18,658	158,119
Liabilities	(24,067)	(203,958)
	¥ 27,132	\$ 229,932

Identifiable intangible assets of Infotec Europe B.V. primarily comprised customer relationships of ¥4,700 million (\$39,831 thousand), which were estimated to have a remaining useful life of 10 years to 18 years.

Goodwill arising from the acquisition of Infotec Europe B.V. has all been allocated to the Office Solutions segment.

4. DISCONTINUED OPERATIONS

Summarized selected financial information for the years ended March 31, 2005, 2006 and 2007 for the discontinued operations reclassified

during the year ended March 31, 2007 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Net sales	¥ 6,702	¥ 5,852	¥ 1,487	\$ 12,602
Income from discontinued operations before gain on disposal of discontinued operations and provision for income taxes	4,400	3,433	866	7,339
Gain on disposal of discontinued operations	—	—	8,830	74,831
Provision for income taxes	1,794	1,398	4,196	35,559
Income from discontinued operations, net of tax	¥ 2,606	¥ 2,035	¥ 5,500	\$ 46,610

The carrying amounts of assets and liabilities of the disposal group classified as discontinued operations were immaterial for the years ended March 31, 2005 and 2006.

5. FINANCE RECEIVABLES

Finance receivables as of March 31, 2006 and 2007 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, 2006 and 2007 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Minimum lease payments receivable	¥ 603,698	¥ 636,174	\$ 5,391,305
Estimated non-guaranteed residual value	4,144	5,000	42,373
Unearned income	(50,797)	(52,341)	(443,568)
Allowance for doubtful receivables	(15,023)	(12,520)	(106,102)
Lease receivables, net	542,022	576,313	4,884,008
Less-Current portion of lease receivable, net	(177,414)	(191,529)	(1,623,127)
Amounts due after one year, net	¥ 364,608	¥ 384,784	\$ 3,260,881

As of March 31, 2007, 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
2008	¥210,959	\$1,787,788
2009	172,541	1,462,212
2010	130,468	1,105,661
2011	79,963	677,653
2012	32,718	277,271
2013 and thereafter	9,525	80,720
Total	¥636,174	\$5,391,305

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 current and former employees 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, 2006 and 2007 was ¥52,295 million and ¥52,648 million (\$446,169 thousand), respectively. The current portion of loans receivable was ¥1,468 million and ¥1,559 million (\$13,212 thousand), respectively, as of March 31, 2006 and 2007, and was included in short-term finance receivables, net in the accompanying consolidated balance sheets. Loan activity for the years ended March 31, 2005, 2006 and 2007 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Extension of new loans	¥12,456	¥12,657	¥11,883	\$100,703
Repayment of outstanding loans	13,001	10,495	11,621	98,483

The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2007 are presented below.

	Millions of Yen	Thousands of U.S. Dollars
	2007	2007
Carrying value of retained interests (included in lease deposits and other in the consolidated balance sheet)	¥5,888	\$49,898
Expected credit losses:		
+10%	(46)	(390)
+20%	(92)	(780)
Discount rate:		
+10%	(22)	(186)
+20%	(44)	(373)
Annual prepayment rate:		
+10%	(415)	(3,517)
+20%	(831)	(7,042)

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

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 receivables 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, 2006 and 2007 are as follows:

	2006	2007
Expected credit losses	0.35% – 0.50%	0.50% – 0.65%
Discount rate	2.00% – 3.00%	2.00% – 3.00%
Annual prepayment rate	5.07% – 5.33%	5.07% – 5.33%

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, 2005, 2006 and 2007:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Servicing fees received	¥ 22	¥ 22	¥ 21	\$ 178
Repurchases of delinquent or ineligible assets	4,060	2,575	2,776	23,525

The components of all receivables managed and securitized, amounts of delinquencies and the components of net credit losses as of March 31, 2006 and 2007, and for the years then ended, are as follows:

	Millions of Yen					
	2006			2007		
	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	¥601,594	¥919	¥2,401	¥ 633,324	¥ 1,619	¥ 2,808
Less-Receivables securitized	(44,549)			(44,491)		
Receivables held in portfolio	¥557,045			¥ 588,833		

	Thousands of U.S. Dollars		
	2007		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	\$5,367,153	\$13,720	\$23,797
Less-receivables securitized	(377,042)		
Receivables held in portfolio	\$4,990,110		

6. SECURITIES

Marketable securities and investment securities as of March 31, 2006 and 2007 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Marketable securities:			
Available-for-sale securities	¥162	¥ 177	\$ 1,500
Investment securities:			
Available-for-sale securities	¥29,934	¥70,362	\$596,288
Non-marketable equity securities	6,485	4,474	37,915
	¥36,419	¥74,836	\$634,203

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, 2006 and 2007 are as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2006				2007				2007			
	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	¥161	¥ –	¥ –	¥161	¥176	¥ –	¥ –	¥176	\$1,492	\$ –	\$ –	\$1,492
Other	1	–	–	1	1	–	–	1	8	–	–	8
	¥162	¥ –	¥ –	¥162	¥177	¥ –	¥ –	¥177	\$1,500	\$ –	\$ –	\$1,500
Non-current:												
Equity securities	¥8,034	¥15,716	¥ 37	¥23,713	¥49,261	¥14,991	¥142	¥64,110	\$417,466	\$127,042	\$1,203	\$543,305
Corporate debt securities	6,000	50	–	6,050	6,000	10	–	6,010	50,847	85	–	50,932
Other	171	0	0	171	242	–	–	242	2,051	–	–	2,051
	¥14,205	¥15,766	¥ 37	¥29,934	¥55,503	¥15,001	¥142	¥70,362	\$470,364	\$127,127	\$1,203	\$596,288

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, 2007 are 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
2007:				
Noncurrent:				
Available-for-sale:				
Equity securities	¥ 752	¥ 142	–	–
	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
2007:				
Noncurrent:				
Available-for-sale:				
Equity securities	\$6,373	\$1,203	–	–

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2007, 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	¥ 176	¥ 176	\$ 1,492	\$ 1,492
Due after one year through five years	6,000	6,010	50,847	50,932
	¥6,176	¥6,186	\$52,339	\$52,424

Proceeds from the sales of available-for-sale securities were ¥118,120 million, ¥141,620 million and ¥96,087 million (\$814,297 thousand) for the years ended March 31, 2005, 2006 and 2007, respectively. The realized gains on the sales of available-for-sale securities for the year ended March 31, 2006 was ¥1,053 million. There were no significant realized gains of available-for-sale securities for the years ended March 31, 2005 and 2007. There were no significant realized losses of available-for-sale securities for the years ended March 31, 2005, 2006 and 2007.

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 stock exchange, Ricoh recognized a gain on securities of ¥992 million 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.

7. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The investments in and advances to affiliates primarily relate to 20% to 50% owned companies. Included in these companies is SINDO RICOH CO., LTD., a 20.0% 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 ¥12,212 million and ¥13,816 million (\$117,085 thousand) as of March 31, 2006 and 2007, respectively. The quoted market value of Ricoh’s investment in this company was ¥13,635 million (\$115,551 thousand) as of March 31, 2007.

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 ¥39,816 million and ¥1,792 million (\$15,186 thousand) at March 31, 2006 and 2007, respectively.

On July 1, 2006, “Coca-Cola West Japan Co., Ltd. (former affiliate company)” and “Kinki Coca-Cola Bottling Co., Ltd (former unrelated company)” established a joint holding company “Coca-Cola West Holdings Co., Ltd.” As a result, proportion of ownership interest of Coca-Cola West Holdings Co., Ltd. by Ricoh decreased under 20% and according to Accounting Principles Board (“APB”) Opinion No. 18 “The Equity Method of Accounting for Investments in Common stock,” Ricoh excluded the Coca-Cola West Holdings Co., Ltd from affiliate company on October 1, 2006. Since then, assets, liabilities and operations of Coca-Cola West Holdings Co., Ltd. have been excluded from the accompany consolidated financial statements.

Summarized financial information for all affiliates as of March 31, 2006 and 2007 and for the years ended March 31, 2005, 2006 and 2007 is as follows:

Financial Position

	Millions of Yen		Thousands of
	2006	2007	U.S. Dollars
			2007
Assets:			
Current assets	¥112,312	¥63,626	\$539,203
Other assets	174,529	20,791	176,195
	¥286,841	¥84,417	\$715,398
Liabilities and shareholders’ investment:			
Current liabilities	¥ 29,084	¥ 10,217	\$ 86,585
Other liabilities	20,335	3,399	28,805
Shareholders’ investment	237,422	70,801	600,008
	¥286,841	¥ 84,417	\$715,398

Operations

	Millions of Yen			Thousands of
	2005	2006	2007	U.S. Dollars
				2007
Sales	¥330,362	¥320,537	¥193,753	\$1,641,975
Costs and expenses	315,729	309,164	186,199	1,577,958
Net income	¥ 14,633	¥ 11,373	¥ 7,554	\$ 64,017

The significant transactions of Ricoh with these affiliates for the years ended March 31, 2005, 2006 and 2007, and the related account balances at March 31, 2006 and 2007 are summarized as follows:

	Millions of Yen			Thousands of
	2005	2006	2007	U.S. Dollars
				2007
Transactions:				
Sales	¥19,365	¥20,205	¥16,158	\$136,932
Purchases	27,286	25,617	28,993	245,703
Dividend income	1,154	1,175	828	7,017

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Account balances:			
Receivables	¥3,493	¥3,541	\$30,008
Payables	2,706	2,611	22,127

As of March 31, 2007, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥46,667 million (\$395,483 thousand). This amount included undistributed earnings of ¥35,104 million (\$297,492 thousand) of Coca-Cola West Holdings Co., Ltd. as of September 30, 2006, the date that Ricoh ceased using the equity method.

8. 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					
	2006			2007		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:						
Software	¥89,331	¥(43,593)	¥45,738	¥100,903	¥(55,659)	¥45,244
Trade name and customer base	30,799	(11,994)	18,805	34,306	(15,286)	19,020
Other	22,074	(8,940)	13,134	28,260	(11,923)	16,337
Total	142,204	(64,527)	77,677	163,469	(82,868)	80,601
Other intangible assets not subject to amortization			1,498			1,324
Total other intangible assets			¥79,175			¥81,925

	Thousands of U.S. Dollars		
	2007		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	\$855,110	\$(471,686)	\$383,424
Trade name and customer base	290,729	(129,542)	161,186
Other	239,492	(101,042)	138,449
Total	1,385,331	(702,271)	683,059
Other intangible assets not subject to amortization			11,220
Total other intangible assets			\$694,280

Gross carrying amount of software was increased for the year ended March 31, 2007 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, 2005, 2006 and 2007 was ¥11,327 million, ¥16,624 million and ¥17,200 million (\$145,763 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, 2007:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥18,282	\$154,932
2009	16,001	135,602
2010	10,293	87,229
2011	7,299	61,856
2012	5,497	46,585

The changes in the carrying amounts of goodwill for the year ended March 31, 2006 and 2007, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Balance at beginning of year	¥47,502	¥51,934	\$440,119
Goodwill acquired during the year	1,783	20,172	170,949
Goodwill sold during the year	—	608	5,153
Foreign exchange impact	2,649	550	4,661
Balance at end of year	¥51,934	¥72,048	\$610,576

As of March 31, 2007, all of the carrying value of goodwill was allocated to the Office Solutions segment.

9. INCOME TAXES

Income from continuing operations before income taxes, minority interests and equity in earnings of affiliates and provision for income taxes for the years ended March 31, 2005, 2006 and 2007 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliates:				
Domestic	¥ 84,162	¥105,785	¥107,749	\$ 913,127
Foreign	46,821	46,981	66,770	565,847
	¥130,983	¥152,766	¥174,519	\$1,478,975
Provision for income taxes:				
Current:				
Domestic	¥ 28,079	¥ 43,584	¥ 47,530	\$ 402,797
Foreign	11,200	17,273	18,993	160,958
	39,279	60,857	66,523	563,754
Deferred:				
Domestic	6,945	(2,178)	(741)	(6,280)
Foreign	2,616	(2,514)	(1,456)	(12,339)
	9,561	(4,692)	(2,197)	(18,619)
Consolidated provision for income taxes	¥ 48,840	¥ 56,165	¥ 64,326	\$ 545,136

Total income taxes are allocated as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Provision for income taxes relating to continuing operations	¥ 48,840	¥ 56,165	¥ 64,326	\$545,136
Provision for income taxes relating to discontinued operations	1,794	1,398	4,196	35,559
Shareholders' investment:				
Foreign currency translation adjustments	3,378	1,266	(50)	(424)
Unrealized gains on securities	407	2,472	25	212
Unrealized gains (losses) on derivatives	97	27	(128)	(1,085)
Minimum pension liability adjustment	129	5,195	693	5,873
Adjustment to initially apply SFAS 158	—	—	1,066	9,034
	¥ 54,645	¥ 66,523	¥ 70,128	\$594,305

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%. The normal statutory tax rate differs from the effective tax rate for the years ended March 31, 2005, 2006 and 2007 as a result of the following:

	2005	2006	2007
Normal statutory tax rate	41%	41%	41%
Nondeductible expenses	1	0	0
Tax benefits not recognized on operating losses of certain consolidated subsidiaries	1	2	1
Utilization of net operating loss carryforward not previously recognized	(3)	(2)	(1)
Tax credit for increased research and development expense	(3)	(4)	(3)
Other, net	(0)	(0)	(1)
Effective tax rate	37%	37%	37%

Nondeductible expenses include directors' bonuses and entertainment expenses.

The tax effects of temporary differences and carryforwards giving rise to the consolidated deferred tax assets and liabilities as of March 31, 2006 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Assets:			
Accrued expenses	¥ 21,417	¥ 22,622	\$191,712
Property, plant and equipment	3,014	7,197	60,992
Accrued pension and severance costs	30,888	25,139	213,042
Net operating loss carryforwards	4,941	9,574	81,136
Other	29,601	32,813	278,076
	89,861	97,345	824,958
Less- Valuation allowance	(8,197)	(12,399)	(105,076)
	¥ 81,664	¥ 84,946	\$ 719,881
Liabilities:			
Sales-type leases	¥ (6,460)	\$(6,463)	\$(54,771)
Undistributed earnings of foreign subsidiaries and affiliates, etc.	(18,618)	(21,170)	(179,407)
Net unrealized holding gains on available-for-sale securities	(6,613)	(5,664)	(48,000)
Basis difference of acquired intangible assets	(9,372)	(8,358)	(70,831)
Other	(13,498)	(7,506)	(63,610)
	¥ (54,561)	¥ (49,161)	\$(416,619)
Net deferred tax assets	¥ 27,103	¥ 35,785	\$ 303,263

Net deferred tax assets as of March 31, 2006 and 2007 are included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Deferred income taxes and other (Current Assets)	¥40,632	¥44,682	\$378,661
Lease deposits and other (Non-current Assets)	38,053	35,652	302,136
Accrued expenses and other (Current Liabilities)	(208)	(366)	(3,102)
Deferred income taxes (Long-Term Liabilities)	(51,374)	(44,183)	(374,432)
	¥27,103	¥35,785	\$303,263

The net changes in the total valuation allowance for the years ended March 31, 2005, 2006 and 2007 were a decrease of ¥1,931 million, an increase of ¥1,118 million and an increase of ¥4,202 million (\$35,610 thousand), respectively. The increase for the year ended March 31, 2007 included an increase ¥1,463 million (\$12,398 thousand) resulting from deferred tax assets from acquisitions. 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, 2007, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥27,289 million (\$231,263 thousand) which were available to reduce future income taxes, if any. Approximately ¥1,911 million (\$16,195 thousand) of the operating losses will expire within 3 years and ¥9,410 million (\$79,746 thousand) will expire within 4 years to 7 years. The remainder principally have an indefinite carryforward period. Ricoh has not recognized a deferred tax liability for certain portion of the undistributed earnings of its foreign subsidiaries of ¥215,390 million (\$1,825,339 thousand) as of March 31, 2007 because Ricoh considers these earnings to be permanently reinvested. Calculation of related unrecognized deferred tax liability is not practicable.

10. SHORT-TERM BORROWINGS

Short-term borrowings as of March 31, 2006 and 2007 consist of the following:

	Weighted average interest rate		Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2006	2007	2007
Borrowings, principally from banks	3.8%	2.4%	¥16,056	¥21,682	\$183,746
Commercial paper	3.1	3.7	66,464	69,991	593,144
			¥82,520	¥91,673	\$776,890

These short-term borrowings included borrowings, principally from banks and commercial paper denominated in foreign currencies amounting to ¥55,212 million and ¥57,480 million (\$487,119 thousand) as of March 31, 2006 and 2007, 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 ¥801,630 million and ¥806,526 million (\$6,834,966

thousand) as of March 31, 2006 and 2007, respectively. Unused lines of credit amounted to ¥703,949 million and ¥693,791 million (\$5,879,585 thousand) as of March 31, 2006 and 2007, respectively, of which ¥252,843 million and ¥237,854 million (\$2,015,712 thousand) related to commercial paper and ¥154,458 million and ¥129,855 million (\$1,100,466 thousand) related to medium-term notes programs at prevailing interest rates and the unused portion is available for immediate borrowings.

11. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2006 and 2007 consists of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Bonds-			
0.87%, straight bonds, payable in yen, due March 2007	¥ 35,000	¥ -	\$ -
1.34%, straight bonds, payable in yen, due March 2009	25,000	25,000	211,864
0.73%, straight bonds, payable in yen, due June 2006 issued by a consolidated subsidiary	10,000	-	-
0.70%, straight bonds, payable in yen, due June 2007 issued by a consolidated subsidiary	10,000	10,000	84,746
2.10%, straight bonds, payable in yen, due October 2009 issued by a consolidated subsidiary	10,000	10,000	84,746
1.11%, straight bonds, payable in yen, due March 2010 issued by a consolidated subsidiary	10,000	10,000	84,746
1.30%, straight bonds, payable in yen, due December 2010 issued by a consolidated subsidiary	-	9,999	84,737
Euro Yen Zero Coupon Convertible Bonds, due December 2011	-	55,256	468,271
Medium-term notes, 0.17% weighted average, due through 2015 issued by a consolidated subsidiary	10,000	-	-
Total bonds	110,000	120,255	1,019,110
Unsecured loans-			
Banks and insurance companies, 1.48% weighted average, due through 2012	183,956	200,983	1,703,246
Secured loans-			
Banks, insurance companies and other financial institution, 0.83% weighted average, due through 2013	795	597	5,059
Capital lease obligations (see Note 2(j))	3,453	1,623	13,754
Total	298,204	323,458	2,741,169
SFAS 133 fair value adjustment	553	517	4,381
Less- Current maturities included in current liabilities	(103,131)	(87,174)	(738,763)
	¥195,626	¥236,801	\$2,006,788

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥3,186 million (\$27,000 thousand) as of March 31, 2007.

All bonds outstanding as of March 31, 2007 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, 2007.

The Company issued Euro Yen Zero Coupon Convertible Bonds of ¥55,275 million (\$468,432 thousand) in December 2006. Bondholders are able to acquire common stock under certain circumstances. As of March 31, 2007, the conversion price was ¥2,800 per share and 19,741 thousand shares would have been issued on conversion of all convertible debt. The conversion price shall be adjusted for certain events such as a stock split, consolidation of stock or issuance of stock at less than the current market price of the shares.

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. Ricoh has never been requested to submit such additional security.

The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2007 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 87,147	\$ 738,534
2009	77,521	656,958
2010	70,149	594,483
2011	21,780	184,576
2012	66,571	564,161
2013 and thereafter	290	2,458
Total	¥323,458	\$2,741,169

12. 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.

On March 31, 2007, Ricoh adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," for the measurement of pension liabilities. Under SFAS 158, Ricoh recognized the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension fund plans in the consolidated balance sheets as of March 31, 2007, with a corresponding adjustment in initially applying SFAS 158 to accumulated other comprehensive income, net of tax. The adjustment to accumulated other

comprehensive income at adoption represents the unrecognized net actuarial loss, unrecognized prior service cost, and unrecognized transition obligation, all of which were previously netted against the plans' funded status in the consolidated balance sheets pursuant to the provisions of SFAS 87. These amounts will be subsequently recognized as net periodic benefit cost pursuant to Ricoh's historical accounting policy for amortizing such amounts. Furthermore, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of total net periodic benefit cost on the same basis as the amounts recognized in accumulated other comprehensive income at adoption of SFAS 158.

The changes in the consolidated balance sheets as of March 31, 2007 arising from the adoption of SFAS 158 are set out below:

	Millions of Yen		
	Before application of SFAS 158	Adjustments	After application of SFAS 158
Lease deposits and other	¥ 97,645	¥ 710	¥ 98,355
Net deferred tax assets	36,287	(502)	35,785
Accrued expenses and other	138,946	4,414	143,360
Accrued pension and severance costs	99,681	(653)	99,028
Minority interests	57,689	(820)	56,869
Accumulated other comprehensive income	29,731	(2,733)	26,998

	Thousands of U.S. Dollars		
	Before application of SFAS 158	Adjustments	After application of SFAS 158
Lease deposits and other	\$ 827,500	\$ 6,017	\$ 833,517
Net deferred tax assets	307,517	(4,254)	303,263
Accrued expenses and other	1,177,508	37,407	1,214,915
Accrued pension and severance costs	844,754	(5,534)	839,220
Minority interests	488,890	(6,949)	481,941
Accumulated other comprehensive income	251,958	(23,161)	228,797

The changes in the benefit obligation and plan assets of the pension plans for the years ended March 31, 2006 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Change in benefit obligations:			
Benefit obligations at beginning of year	¥343,623	¥368,813	\$3,125,534
Service cost	14,691	15,687	132,941
Interest cost	10,192	11,121	94,246
Plan participants' contributions	517	682	5,780
Actuarial loss	10,437	963	8,161
Settlement	(654)	(142)	(1,203)
Benefits paid	(14,408)	(16,473)	(139,602)
Foreign exchange impact	4,415	9,817	83,195
Benefit obligations assumed in connection with business acquisition	—	7,503	63,585
Benefit obligations at end of year	¥368,813	¥397,971	\$3,372,636

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 237,500	¥ 294,936	\$2,499,458
Actual return on plan assets	49,560	6,889	58,381
Employer contribution	13,853	14,725	124,788
Plan participants' contributions	517	682	5,780
Settlement	–	(57)	(483)
Benefits paid	(9,855)	(10,924)	(92,576)
Foreign exchange impact	3,361	7,957	67,432
Plan assets acquired in connection with business acquisition	–	6,372	54,000
Fair value of plan assets at end of year	¥ 294,936	¥320,580	\$2,716,780
Funded status	¥ (73,877)	¥(77,391)	\$ (655,856)

Amounts recognized in the consolidated balance sheets as of March 31, 2007 consist of:

	Millions of Yen	Thousands of U.S. Dollars
Lease deposits and other	¥ 25,161	\$213,229
Accrued expenses and other	(4,414)	(37,407)
Accrued pension and severance costs	(98,138)	(831,678)
Net amount recognized	¥(77,391)	\$ (655,856)

Amounts recognized in accumulated other comprehensive income as of March 31, 2007 consist of:

	Millions of Yen	Thousands of U.S. Dollars
Net actuarial loss	¥ 64,990	\$550,763
Prior service cost	(50,232)	(425,695)
Net asset at transition, net of amortization	(82)	(695)
Net amount recognized	¥ 14,676	\$124,373

The funded status as of March 31, 2006, reconciled to the net amount recognized in the consolidated balance sheet at that date, is summarized as follows:

	Millions of Yen
Funded status	¥(73,877)
Unrecognized net actuarial loss	64,714
Unrecognized prior service cost	(54,212)
Unrecognized net asset at transition, net of amortization	(533)
Net amount recognized	¥(63,908)

Amounts recognized in the consolidated balance sheets as of March 31, 2006 consist of:

	Millions of Yen
Prepaid benefit cost	¥ 18,170
Accrued benefit liability	(94,765)
Intangible assets	55
Accumulated other comprehensive income (loss)	12,632
Net amount recognized	¥(63,908)

The accumulated benefit obligations are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Accumulated benefit obligations	¥354,060	¥376,203	\$3,188,161

Weighted-average assumptions used to determine benefit obligations at March 31, 2006 and 2007 are as follows:

	2006	2007
Discount rate	2.8%	3.1%
Rate of compensation increase	5.4%	5.3%

Weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2005, 2006 and 2007 are as follows:

	2005	2006	2007
Discount rate	2.9%	3.0%	2.8%
Rate of compensation increase	5.3%	5.0%	5.4%
Expected long-term return on plan assets	2.9%	3.2%	3.1%

The net periodic benefit costs of the pension plans for the years ended March 31, 2005, 2006 and 2007 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Service cost	¥14,762	¥14,691	¥15,687	\$132,941
Interest cost	9,218	10,192	11,121	94,246
Expected return on plan assets	(6,571)	(7,645)	(9,186)	(77,847)
Net amortization	1,648	1,833	(1,420)	(12,034)
Settlement benefit	(980)	(140)	(18)	(153)
Total net periodic pension cost	¥18,077	¥18,931	¥16,184	\$137,153

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
	2006	2007	2007
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	¥222,095	¥240,593	\$2,038,924
Fair value of plan assets	129,327	150,746	1,277,508
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	¥190,144	¥221,023	\$1,873,076
Fair value of plan assets	118,214	145,278	1,231,169

Ricoh's benefit plan asset allocation at March 31, 2006 and 2007 were as follows:

	2006	2007
Equity securities	51.7%	51.5%
Debt securities	21.1%	17.0%
Life insurance company general accounts	20.5%	24.2%
Other	6.7%	7.3%
Total	100.0%	100.0%

Common stock and bonds of the Company and certain of its domestic subsidiaries included in plan assets were immaterial at March 31, 2006 and 2007.

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 ¥13,990 million (\$118,559 thousand) to its pension plans for the year ending March 31, 2008. The estimated net actuarial loss, prior service cost and net asset at transition for Ricoh's pension fund plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost over the next fiscal year are ¥3,666 million (\$31,068 thousand), ¥(3,906) million (\$ (33,102) thousand) and ¥(82) million (\$ (695) thousand), respectively.

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
2008	¥18,520	\$156,949
2009	19,077	161,670
2010	20,158	170,831
2011	19,013	161,127
2012	19,313	163,670
2013–2017	104,154	882,661

Employees of certain domestic subsidiaries not covered by the employee's pension fund ("EPF") plan are primarily covered by unfunded retirement allowances plans. The retirement allowances system for executives of the Company, fixed remuneration, which had applied to Directors and Corporate Auditors, was abolished at the closing of the 107th Ordinary General Meeting of Shareholders held on June 27, 2007. On the abolishment, the Company will pay incumbent Directors and Corporate Auditors final retirement allowances corresponding to their tenures through the above Ordinary General Meeting of Shareholders in accordance with the standards prescribed by the Company.

13. SHAREHOLDERS' INVESTMENT

The Corporation Law of Japan provides that an amount equal to 10% of cash dividends and other distributions from retained earnings paid by the Company and its domestic subsidiaries be appropriated as an additional paid-in capital or legal reserve. No further appropriation is required when the total amount of the additional paid-in capital and legal reserve equals to 25% of common stock. 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, 2006 and 2007 were ¥17,156 million and ¥17,318 million (\$146,763 thousand), respectively, and are restricted from being used as dividends.

The Corporation Law of Japan requires a company to obtain the approval of shareholders for transferring an amount between common stock 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 Ordinary General Meeting of Shareholders held on June 27, 2007, the shareholders approved the declaration of a cash dividend (¥15 per share) on the common stock totaling ¥10,950 million (\$92,797 thousand), which would be paid to shareholders of record as of March 31, 2007. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2007.

The amount of retained earnings legally available for dividend distribution is that recorded in the Company's non-consolidated books and amounted to ¥407,599 million (\$3,454,229 thousand) as of March 31, 2007.

14. 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
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 adjustments	156	(129)	27
Other comprehensive income (loss)	¥13,985	¥(4,011)	¥ 9,974
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 adjustments	12,204	(5,195)	7,009
Other comprehensive income (loss)	¥35,022	¥(8,960)	¥26,062
2007:			
Foreign currency translation adjustments	¥24,724	¥ 50	¥24,774
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	197	(65)	132
Less- Reclassification adjustment for (gains) losses realized in net income	(99)	40	(59)
Net unrealized gains (losses)	98	(25)	73
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	(749)	307	(442)
Less- Reclassification adjustment for (gains) losses realized in net income	436	(179)	257
Net unrealized gains (losses)	(313)	128	(185)
Minimum pension liability adjustments	1,663	(693)	970
Other comprehensive income (loss)	¥26,172	¥ (540)	¥25,632

	Thousands of U.S. Dollars		
	Before-tax amount	Tax expense	Net-of-tax amount
2007:			
Foreign currency translation adjustments	\$209,525	\$ 424	\$209,949
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	1,669	(551)	1,119
Less- Reclassification adjustment for (gains) losses realized in net income	(839)	339	(500)
Net unrealized gains (losses)	831	(212)	619
Unrealized gains (losses) on derivatives:			
Unrealized holding gains (losses) arising during the year	(6,347)	2,602	(3,746)
Less- Reclassification adjustment for (gains) losses realized in net income	3,695	(1,517)	2,178
Net unrealized gains (losses)	(2,653)	1,085	(1,568)
Minimum pension liability adjustments	14,093	(5,873)	8,220
Other comprehensive income (loss)	\$221,797	\$ (4,576)	\$217,220

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

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Foreign currency translation adjustments:				
Beginning balance	¥(19,411)	¥(12,219)	¥ 2,657	\$ 22,517
Adjustment for change in fiscal year end of consolidated subsidiaries	(1,849)	—	—	—
Change during the year	9,041	14,876	24,774	209,949
Ending balance	¥(12,219)	¥ 2,657	¥ 27,431	\$ 232,466
Unrealized gains (losses) on securities:				
Beginning balance	¥ 4,026	¥ 4,791	¥ 8,928	\$ 75,661
Change during the year	765	4,137	73	619
Ending balance	¥ 4,791	¥ 8,928	¥ 9,001	\$ 76,280
Unrealized gains (losses) on derivatives:				
Beginning balance	¥ (24)	¥ 117	¥ 157	\$ 1,331
Change during the year	141	40	(185)	(1,568)
Ending balance	¥ 117	¥ 157	¥ (28)	\$ (237)
Minimum pension liability adjustments:				
Beginning balance	¥(14,863)	¥(14,652)	¥ (7,643)	\$ (64,771)
Adjustment for change in fiscal year end of consolidated subsidiaries	184	—	—	—
Change during the year	27	7,009	970	8,220
Adjustment to initially apply SFAS 158	—	—	6,673	56,551
Ending balance	¥(14,652)	¥ (7,643)	¥ —	\$ —
Pension liability adjustments:				
Adjustment to initially apply SFAS 158	¥ —	¥ —	¥ (9,406)	\$ (79,712)
Ending balance	¥ —	¥ —	¥ (9,406)	\$ (79,712)
Total accumulated other comprehensive income (loss)				
Beginning balance	¥(30,272)	¥(21,963)	¥ 4,099	\$ 34,737
Adjustment for change in fiscal year end of consolidated subsidiaries	(1,665)	—	—	—
Change during the year	9,974	26,062	25,632	217,220
Adjustment to initially apply SFAS 158	—	—	(2,733)	(23,161)
Ending balance	¥(21,963)	¥ 4,099	¥ 26,998	\$ 228,797

15. PER SHARE DATA

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

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

	Thousands of shares		
	2005	2006	2007
Weighted average number of shares of common stock outstanding	738,160	733,434	729,745
Effect of dilutive securities:			
Euro Yen Zero Coupon Convertible Bonds-Due December 2011	-	-	5,758
Diluted shares of common stock outstanding	738,160	733,434	735,503

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Income from continuing operations	¥80,537	¥95,022	¥106,224	\$900,203
Income from discontinued operations	2,606	2,035	5,500	46,610
Net income-	83,143	97,057	111,724	946,814
Effect of dilutive securities:				
Euro Yen Zero Coupon Convertible Bonds-Due December 2011	-	-	(8)	(68)
Diluted net income	¥83,143	¥97,057	¥111,716	\$946,746

	Yen			U.S. Dollars
	2005	2006	2007	2007
Earnings per share:				
Basic:				
Income from continuing operations	¥109.11	¥129.56	¥145.56	\$1.23
Income from discontinued operations, net of tax	3.53	2.77	7.54	0.06
Net income	112.64	132.33	153.10	1.30
Diluted:				
Income from continuing operations	¥109.11	¥129.56	¥144.41	\$1.22
Income from discontinued operations, net of tax	3.53	2.77	7.48	0.06
Net income	112.64	132.33	151.89	1.29

16. 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, 2005, 2006 and 2007 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, 2005, 2006 and 2007 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 expenses during the next 12 months approximately ¥23 million (\$195 thousand) of the balance of accumulated other comprehensive income as of March 31, 2007.

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.

17. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2007, Ricoh had outstanding contractual commitments for acquisition or construction of property, plant and equipment and other assets aggregating ¥6,734 million (\$57,068 thousand).

As of March 31, 2007, Ricoh was also contingently liable for certain guarantees including employees housing loans of ¥1,092 million (\$9,254 thousand).

Ricoh made rental payments totaling ¥39,000 million, ¥42,046 million and ¥40,722 million (\$345,102 thousand) for the years ended March 31, 2005, 2006 and 2007, 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, 2007 are as follows;

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥19,702	\$169,966
2009	16,822	142,559
2010	12,029	101,941
2011	7,221	61,195
2012	6,145	52,076
2013 and thereafter	12,714	107,746
Total	¥74,633	\$632,483

As of March 31, 2007, 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.

18. 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, 2006 and 2007 is summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2006		2007		2007	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Marketable securities and						
Investment securities	¥ 36,581	¥ 36,581	¥ 75,013	¥ 75,013	\$ 635,703	\$ 635,703
Installment loans	52,295	52,404	52,648	52,697	446,169	446,585
Long-term indebtedness	(195,626)	(195,731)	(236,801)	(229,981)	(2,006,788)	(1,948,992)
Interest rate swap agreements, net	1,175	1,175	751	751	6,364	6,364
Foreign currency contracts, net	(1,147)	(1,147)	633	633	5,364	5,364
Foreign currency options, net	(270)	(270)	(2)	(2)	(17)	(17)

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.

19. 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.

The following tables present certain information regarding Ricoh's operating segments and operations by geographic areas for the years ended March 31, 2005, 2006 and 2007. During the year ended March 31, 2007, a subsidiary of the Company sold its content distribution business. As a result of such sale, sales and operating income of such business of ¥6,702 million and ¥4,397 million, ¥5,852 million and ¥3,430 million and ¥1,487 million (\$12,602 thousand) and ¥865 million (\$7,331 thousand) were reclassified as a discontinued operation and was excluded from the segment data for all periods in accordance with SFAS 144.

(a) Operating Segment Information

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Sales:				
Office Solutions	¥1,531,428	¥1,637,228	¥1,774,467	\$15,037,856
Industrial Products	121,914	123,200	138,112	1,170,441
Other	156,570	151,374	161,071	1,365,008
Intersegment transaction	(2,506)	(2,564)	(4,725)	(40,042)
Consolidated	¥1,807,406	¥1,909,238	¥2,068,925	\$17,533,263
Operating expenses:				
Office Solutions	¥1,335,059	¥1,434,279	¥1,549,156	\$13,128,441
Industrial Products	121,872	124,108	135,164	1,145,458
Other	165,126	148,692	158,868	1,346,339
Intersegment transaction	(2,475)	(2,594)	(4,727)	(40,059)
Unallocated expense	56,715	56,169	56,084	475,288
Consolidated	¥1,676,297	¥1,760,654	¥1,894,545	\$16,055,466
Operating income:				
Office Solutions	¥196,369	¥202,949	¥225,311	\$1,909,415
Industrial Products	42	(908)	2,948	24,983
Other	(8,556)	2,682	2,203	18,669
Elimination and unallocated expense	(56,746)	(56,139)	(56,082)	(475,271)
Consolidated	¥131,109	¥148,584	¥174,380	\$1,477,797
Other income(expenses)	¥ (126)	¥ 4,182	¥ 139	\$ 1,178
Income from continuing operations before income taxes, minority interests and equity in earnings of affiliates	¥130,983	¥152,766	¥174,519	\$1,478,975
Total assets:				
Office Solutions	¥1,358,136	¥1,426,635	¥1,570,757	\$13,311,500
Industrial Products	72,406	84,595	93,346	791,068
Other	125,278	114,925	112,255	951,314
Elimination	(10,174)	(2,088)	(1,327)	(11,246)
Corporate assets	408,023	417,116	468,375	3,969,280
Consolidated	¥1,953,669	¥2,041,183	¥2,243,406	\$19,011,915
Expenditure for segment assets:				
Office Solutions	¥70,638	¥ 90,383	¥72,465	\$614,110
Industrial Products	8,509	7,451	8,580	72,712
Other	3,449	2,361	2,630	22,288
Corporate assets	2,103	1,854	2,125	18,008
Consolidated	¥84,699	¥102,049	¥85,800	\$727,119

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Depreciation:				
Office Solutions	¥53,439	¥57,326	¥62,862	\$532,729
Industrial Products	7,450	6,631	6,099	51,686
Other	2,632	2,352	2,072	17,559
Corporate assets	3,272	1,156	1,399	11,856
Consolidated	¥66,793	¥67,465	¥72,432	\$613,831

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, 2005, 2006 and 2007 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Sales:				
Japan	¥ 966,273	¥ 966,224	¥1,002,251	\$ 8,493,653
The Americas	325,597	387,412	426,453	3,614,008
Europe	408,906	434,800	507,158	4,297,949
Other	106,630	120,802	133,063	1,127,653
Consolidated	¥1,807,406	¥1,909,238	¥2,068,925	\$17,533,263
Property, plant and equipment :				
Japan	¥ 195,052	¥210,973	¥ 199,308	\$1,689,051
The Americas	17,744	18,111	18,102	153,407
Europe	25,352	26,783	28,345	240,212
Other	9,262	12,376	18,913	160,280
Consolidated	¥ 247,410	¥268,243	¥ 264,668	\$2,242,949

(c) Additional Information

The following information shows net sales and operating income recognized by geographic origin for the years ended March 31, 2005, 2006 and 2007. 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
	2005	2006	2007	2007
Sales:				
Japan				
External customers	¥ 987,797	¥ 992,945	¥1,026,663	\$ 8,700,534
Intersegment	392,216	413,087	495,304	4,197,492
Total	1,380,013	1,406,032	1,521,967	12,898,025
The Americas				
External customers	322,975	385,746	426,009	3,610,246
Intersegment	7,486	7,630	3,253	27,568
Total	330,461	393,376	429,262	3,637,814
Europe				
External customers	412,333	434,304	508,200	4,306,780
Intersegment	3,310	4,449	3,595	30,466
Total	415,643	438,753	511,795	4,337,246
Other				
External customers	84,301	96,243	108,053	915,703
Intersegment	89,647	104,045	160,990	1,364,322
Total	173,948	200,288	269,043	2,280,025
Elimination of intersegment sales	(492,659)	(529,211)	(663,142)	(5,619,847)
Consolidated	¥1,807,406	¥1,909,238	¥2,068,925	\$17,533,263
Operating expenses:				
Japan	¥1,296,335	¥1,310,233	¥1,411,653	\$11,963,161
The Americas	316,651	378,108	408,150	3,458,898
Europe	391,271	417,341	478,380	4,054,068
Other	162,042	185,283	251,486	2,131,237
Elimination of intersegment sales	(490,002)	(530,311)	(655,124)	(5,551,898)
Consolidated	¥1,676,297	¥1,760,654	¥1,894,545	\$16,055,466
Operating income:				
Japan	¥ 83,678	¥ 95,799	¥ 110,314	\$ 934,864
The Americas	13,810	15,268	21,112	178,915
Europe	24,372	21,412	33,415	283,178
Other	11,906	15,005	17,557	148,788
Elimination of intersegment profit	(2,657)	1,100	(8,018)	(67,949)
Consolidated	¥ 131,109	¥ 148,584	¥ 174,380	\$ 1,477,797
Other expenses	¥ (126)	¥ 4,182	¥ 139	\$ 1,178
Income before income taxes, minority interests, equity in earnings of affiliates and cumulative effect of accounting change	¥ 130,983	¥ 152,766	¥ 174,519	\$ 1,478,975
Total assets:				
Japan	¥1,187,190	¥1,220,780	¥1,282,085	\$10,865,127
The Americas	206,979	240,726	256,049	2,169,907
Europe	228,568	235,897	314,815	2,667,924
Other	66,319	79,102	101,550	860,593
Elimination	(143,410)	(152,438)	(179,468)	(1,520,915)
Corporate assets	408,023	417,116	468,375	3,969,280
Consolidated	¥1,953,669	¥2,041,183	¥2,243,406	\$19,011,915

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, 2005, 2006 and 2007.

20. SUPPLEMENTARY INFORMATION TO THE STATEMENT OF INCOME

The following amounts were charged to selling, general and administrative expenses for the years ended March 31, 2005, 2006 and 2007:

	Millions of Yen			Thousands of U.S. Dollars
	2005	2006	2007	2007
Research and development costs	¥110,471	¥110,381	¥114,985	\$974,449
Advertising costs	16,441	15,725	14,456	122,508
Shipping and handling costs	14,043	16,058	19,280	163,390

21. SUBSEQUENT EVENT

On June 1, 2007, Ricoh and IBM Corporation ("IBM") completed formation of a joint venture company based on IBM's Printing Systems Division to provide output solutions for production printing area. Initially, Ricoh acquired 51% of the joint venture. Ricoh will progressively acquire the remaining 49% over the next three years as the joint venture becomes a fully owned subsidiary. Ricoh paid \$725 million (including management fee \$35 million) in cash at the closing. The cash payment was consideration for the initial 51% acquisition of the joint venture by Ricoh as well as a prepayment for the remaining 49% to be acquired and certain royalties and services to be provided by IBM to InfoPrint Solutions Company. Final consideration for this transaction will be determined at the end of the three-year period based upon the participation in the profits and losses recorded by the equity partners.

Management's Report on Internal Control Over Financial Reporting

Ricoh's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act of 1934, as amended. Ricoh's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Ricoh; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Ricoh are being made only in accordance with authorizations of management and directors of Ricoh; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Ricoh's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with internal control policies or procedures may deteriorate.

Ricoh's management assessed the effectiveness of Ricoh's internal control over financial reporting as of March 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Management's assessment included evaluating the design of Ricoh's internal control over financial reporting and testing of the operational effectiveness of Ricoh's internal control over financial reporting.

Based on such assessment, management concluded that, as of March 31, 2007, Ricoh's internal control over financial reporting was effective based on the criteria issued by COSO.

KPMG AZSA & Co., an independent registered public accounting firm, has issued an audit report on our assessment of the effectiveness of Ricoh's internal control over financial reporting as of March 31, 2007.



Shiro Kondo
President and Chief Executive Officer



Zenji Miura
Corporate Executive Vice President and Chief Financial Officer

June 29, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders 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, 2006 and 2007, 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, 2007, 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, 2006 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Ricoh Company, Ltd. and subsidiaries' internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 29, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As described in note 2 to the consolidated financial statements, the Company changed its method of quantifying errors in 2006 in accordance with Securities and Exchange Commission Staff Accounting Bulletin No.108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 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
June 29, 2007

Report of Independent Registered Public Accounting Firm

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Ricoh Company, Ltd. (a Japanese corporation) and subsidiaries maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Ricoh Company, Ltd. and subsidiaries maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Ricoh Company, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ricoh Company, Ltd. and subsidiaries as of March 31, 2006 and 2007, 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, 2007, expressed in yen, and our report dated June 29, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG AZSA Co.

Tokyo, Japan
June 29, 2007

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.