Financial Section

Revenues

In fiscal 2003, ended March 31, 2003, consolidated net sales increased 3.9%, to ¥1,738.3 billion ($14,732 million). This was the ninth consecutive rise. The average exchange rates prevailing during the term were ¥121.96 to the dollar (up ¥3.14) and ¥121.00 to the euro (down ¥10.40). The sales increase would have been 2.7% without the impact of foreign exchange fluctuations.

Domestic sales were down 0.7%, to ¥896.0 billion ($7,593 million). On the positive side, sales expanded for printing systems, such as MFPs (multifunctional printers) and laser printers. Sales were also favorable for useware, document management, and other areas of the solutions business. In contrast, sales of standalone analog equipment fell amid a shift toward MFPs, while sales were off for personal computer and servers owing mainly to sluggish domestic demand for information technology. Sales declined for measuring equipment as a result of a slow business cycle. Domestic sales accounted for 51.5% of net sales, down 2.5 percentage points.

Overseas sales increased 9.4%, to ¥842.3 billion ($7,138 million). Sales were steady despite an economic slowdown in the United States and turmoil in the Middle East. Ricoh continued to perform well in Europe, where the economic environment stabilized, and in other areas.

By product line, sales of core digital equipment increased solidly, while sales of strategic printing systems increased significantly in Europe and the United States. Optical disc and semiconductor operations enjoyed favorable sales. Without the foreign exchange effect, overseas sales would have gained 6.8%. These sales represented 48.5% of net sales, up 2.5 percentage points.

Operating Income

Gross profit increased 6.5%, to ¥745.3 billion ($6,317 million). In both Japan and abroad, sales were up for high-margin, high-value-added products, notably MFPs and laser printers. The gross profit gain also reflected ongoing cost reductions and the yen's depreciation against the euro. Ricoh incurred additional costs to cover quality problems on some metering equipment. Selling, general and administrative expenses increased 7.3%, to ¥611.6 billion ($5,184 million), reflecting strategic spending on research and development and on basic systems development. As a result of the above factors, operating income increased 3.1%, to ¥133.6 billion ($1,133 million).

SALES BY PRODUCT LINE

	2002		**2003**		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Office Equipment:					
Imaging Solutions	¥ 934,180	55.8%	**¥ 859,713**	**49.5%**	**$ 7,285,703**
Network Input/Output Systems	344,247	20.6	**463,379**	**26.7**	**3,926,941**
Network System Solutions	206,962	12.4	**197,482**	**11.3**	**1,673,576**
Other Businesses	186,951	11.2	**217,784**	**12.5**	**1,845,627**
Total	¥1,672,340	100.0%	**¥1,738,358**	**100.0%**	**$14,731,847**

SALES BY GEOGRAPHIC AREA

	2002		**2003**		
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars
Japan	¥ 902,655	54.0%	**¥ 896,022**	**51.5%**	**$ 7,593,407**
The Americas	341,747	20.4	**343,940**	**19.8**	**2,914,746**
Europe	311,312	18.6	**354,477**	**20.4**	**3,004,042**
Other	116,626	7.0	**143,919**	**8.3**	**1,219,652**
Total	¥1,672,340	100.0%	**¥1,738,358**	**100.0%**	**$14,731,847**

Income before Income Taxes

Interest and dividend income decreased primarily because of sluggish financial markets. At the same time, foreign exchange losses declined, while Ricoh constrained interest-bearing debt by reinforcing cash management systems in Japan, the United States, and Europe. Ricoh valued its holding marketable securities in accordance with generally accepted accounting principles. As a result, income before income taxes, minority interests and equity in earnings of affiliates increased 8.4%, to ¥123.4 billion ($1,046 million).

Net Income

Net income surged 17.7%, to ¥72.5 billion ($615 million), the 11th consecutive gain and the ninth consecutive record high. Ricoh remeasured its deferred tax assets and liabilities in response to the introduction of a corporate enterprise tax system and other changes in tax laws. Ricoh posted losses on minority holdings in measuring equipment affiliates. Subject to approval at the ordinary general meeting of shareholders on June 26, 2003, management plans to make cash dividends for fiscal 2003 of ¥14.00 ($0.12). This is in keeping with management's commitment to ensuring solid shareholder returns.

Segment Information

CONSOLIDATED SALES BY PRODUCT LINE

1. Office Equipment

To help customers more efficiently manage their total document volume, the Ricoh Group proposes solutions that optimize total printing costs. Ricoh is thus shifting away from standalone analog equipment toward digital, networking, and color and high-speed technologies.

These efforts allowed Ricoh to greatly expand sales of MFPs, laser printers, and other printing systems during the year while increasing revenues from useware, software, and other solutions businesses.

In Japan, sales of personal computer and servers declined, primarily because of poor economic conditions and sluggish demand for information technology.

Overseas sales increased, particularly in Europe and other regions. Demand was slow in the United States, owing largely to an economic slowdown in that nation and turmoil in the Middle East, while the yen's rise against the dollar also affected operations.

Nonetheless, Ricoh performed solidly because of its strengthened sales networks in the United States. Sales of office equipment thus advanced 2.4%, to ¥1,520.5 billion ($12,886 million).

Imaging Solutions

In digital imaging systems, Ricoh strengthened its lineup with new digital plain-paper copiers (PPCs), which cover everything from such low-end models as the Aficio 1013/1015 (Imagio MF 1340/1540 in Japan) series to high-speed models, notably the Aficio 2105 (Imagio Neo 1050 Pro). Domestic sales of digital imaging systems were down because of the depressed economy and the shift toward printing systems. Overseas, sales decreased for fax machines and other imaging solutions, although digital PPC sales improved in Europe and other regions. As a result of these factors, overall sales of digital imaging systems dropped 4.2%. In other imaging systems, sales fell 16.8%, reflecting the trend away from analog to MFPs and other digital equipment. Sales of imaging solutions decreased 8.0%, to ¥859.7 billion ($7,285 million), reflecting Ricoh's strategies. Imaging solutions accounted for 49.5% of consolidated net sales, down 6.3 percentage points.

Network Input/Output Systems

Here, Ricoh released fast, more networkable, and color offerings and further expanded sales of printing equipment to meet customer needs.

In MFPs, the Aficio 1075/1060 (Imagio Neo 750/600) series and Aficio 1050 (Imagio Neo 105 Pro) contributed to sales growth.

In laser printers, sales rose for the AP 3800C (IPSiO Color 6000/7100). Overall sales of printing systems thus increased 36.6%. Sales of other input/output systems gained 21.2%. Although up a year earlier, domestic sales of CD-R/RW drives and media decreased due to a trend toward DVDs based on new standards. In contrast, sales improved for DVD drives and media in the United States and for

CD-R/RW shipments to other regions. Sales of network input/output systems thus advanced 34.6%, to ¥463.3 billion ($3,927 million). This segment represented 26.7% of net sales, up 6.1 percentage points.

Network System Solutions

Ricoh strengthened its solutions businesses, such as useware, document management and software. These areas allow Ricoh to help customers optimize their total printing costs. Sales in Japan and overseas increased steadily during the year. In contrast, sales of personal computers and servers continued to decline in Japan, reflecting sluggish information technology spending.

2. Other Businesses

Sales in this segment increased 16.5%, to ¥217.7 billion ($1,846 million). This improvement reflected a recovery in the domestic semiconductor business, as well as solid results in Europe and other regions. On top of that, Ricoh enjoyed steady gains in leasing and other operations. In contrast, sales decreased for measuring equipment because of a stagnant business cycle.

CONSOLIDATED SALES BY GEOGRAPHIC AREA

1. Japan

Although the domestic economy remained very unfavorable, Ricoh responded to customer needs by pursuing product and sales strategies that boosted sales of printing systems, such as MFPs and printers.

In the solutions business, Ricoh's proposals for improving total cost performance were well received, leading to higher sales in this area. At the same time, sales of standalone analog equipment fell amid the shift toward MFPs and color models, while personal computer and server sales also declined.

In other businesses, the adverse business cycle dampened sales of measuring equipment, while demand for semiconductors began to recover.

As a result, sales in Japan decreased 0.7%, to ¥896.0 billion ($7,593 million). Domestic operations accounted for 51.5% of net sales, down 2.5 percentage points.

2. The Americas

Ricoh further broadened and reinforced its sales network, especially in North America, against a background of a slower U.S. economy, the turmoil in the Middle East and severe competition.

Ricoh stepped up sales of new printing systems that matched a demand shift away from analog offerings toward networked digital PPCs and color models, and strove to expand sales to major accounts. Sales were solid for DVD drives and media based on new standards.

Sales in the Americas increased 0.6%, to ¥343.9 billion ($2,915 million). After factoring out the yen's appreciation against the dollar, regional sales gained 3.2%.

3. Europe

With European economies remaining relatively stable, sales of digital PPCs and printing systems increased. Ricoh strengthened its sales network to reinforce its brand clout. These efforts helped Ricoh to maintain its top share of the European market for copiers and MFPs. The yen's depreciation against the euro contributed to performance.

Sales in Europe thus increased 13.9%, to ¥354.4 billion ($3,004 million).

4. Other

In China and other Asian markets, a full-fledged shift in business equipment to digital networked and color models led to an increase in sales of digital PPCs and printing systems. Demand for optical discs also continued to improve, while semiconductor sales remained solid.

Sales in this segment increased 23.4%, to ¥143.9 billion ($1,220 million). During the term, Ricoh established a regional headquarters in Shanghai to reinforce its operations in the promising Chinese market. Ricoh aims to further integrate its production, sales, and services while focusing even more on customer needs to strengthen its revenues and earnings in China.

Financial Position

Cash and cash equivalents and time deposits rose in line with marketable securities repayments and maturities. Trade receivables decreased, reflecting additional collections in Japan and the United States. Inventories declined owing to the impact of supply chain management and other initiatives. Fixed assets decreased, as Ricoh kept capital expenditures at less than depreciation. Finance receivables rose, mainly in Japan, and other investments were up, reflecting purchases of marketable securities and an increase in deferred income taxes. As a result, total assets were ¥1,884.9 billion ($15,974 million) at the close of fiscal 2003, up ¥51.9 billion from a year earlier.

LONG-TERM INDEBTEDNESS

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

		Millions of yen							
			Expected maturity date						
	Average pay rate	Total	2004	2005	2006	2007	2008	2009 and thereafter	Fair Value
Bonds	1.35%	**¥154,910**	¥14,910	¥10,000	¥ 40,000	¥45,000	¥10,000	¥35,000	¥160,124
Medium-Term Notes	0.21	**24,000**	9,000	12,000	3,000	—	—	—	24,028
Loans	1.61	**212,595**	29,096	62,860	82,286	10,809	17,110	10,434	212,757
Total		**¥391,505**	¥53,006	¥84,860	¥125,286	¥55,809	¥27,110	¥45,434	¥396,909

		Thousands of U.S. dollars							
			Expected maturity date						
	Average pay rate	Total	2004	2005	2006	2007	2008	2009 and thereafter	Fair Value
Bonds	1.35%	**$1,312,797**	$126,356	$84,746	$ 338,983	$381,356	$84,746	$296,610	$1,356,983
Medium-Term Notes	0.21	**203,389**	76,271	101,695	25,423	—	—	—	203,627
Loans	1.61	**1,801,653**	246,576	532,712	697,339	91,602	145,000	88,424	1,803,025
Total		**$3,317,839**	$449,203	$719,153	$1,061,745	$472,958	$229,746	$385,034	$3,363,635

INTEREST RATE SWAPS

Notional amounts (Millions)		Type of swap	Average receive rate	Average pay rate	Millions of yen: Total	Expected maturity date: 2004	2005	2006	2007	2008	2009 and thereafter	Fair Value
¥	59,179	Receive floating/Pay fixed	0.08%	0.36%	**¥59,179**	¥ 229	¥ 4,950	¥52,000	¥2,000	¥ —	¥ —	¥3,961
	79,000	Receive fixed/Pay floating	1.98	0.11	**79,000**	18,000	17,000	19,000	1,000	6,000	18,000	(206)
US$	20	Receive floating/Pay floating	7.36%	1.96%	**¥ 2,404**	¥ —	¥ 2,404	¥ —	¥ —	¥ —	¥ —	¥ 230

Notional amounts (Millions)		Type of swap	Average receive rate	Average pay rate	Thousands of U.S. dollars: Total	Expected maturity date: 2004	2005	2006	2007	2008	2009 and thereafter	Fair Value
¥	59,179	Receive floating/Pay fixed	0.08%	0.36%	**$501,517**	$ 1,941	$ 41,949	$440,678	$16,949	$ —	$ —	$33,568
	79,000	Receive fixed/Pay floating	1.98	0.11	**669,491**	152,542	144,068	161,017	8,475	50,847	152,542	(1,746)
US$	20	Receive floating/Pay floating	7.36%	1.96%	**$ 20,373**	$ —	$ 20,373	$ —	$ —	$ —	$ —	$ 1,949

Trade payables rose from a year earlier. Interest-bearing debt was down because of redemptions and conversions of convertible bonds and efforts to reduce borrowings. Other current liabilities and retirement benefit obligations expanded. Total liabilities thus rose ¥25.2 billion, to ¥1,174.1 billion ($9,950 million).

Common stock and additional paid-in capital rose owing to convertible bond conversions. Accumulated other comprehensive loss declined, reflecting pension liability adjustments.

Total shareholders' investment thus expanded ¥24.4 billion, to ¥657.5 billion ($5,572 million).

Cash Flows

Net cash provided by operating activities was up ¥80.6 billion, to ¥185.7 billion ($1,574 million). This owed to higher net income and depreciation and amortization and decreases in trade receivable and in inventories as a result of strong supply chain management.

Net cash used in investing activities increased ¥16.7 billion, to ¥98.1 billion ($832 million). This stemmed from higher capital expenditures for new production lines and additions to bond investments.

Free cash flow generated by operating and investing activities thus totaled ¥87.5 billion ($742 million), up ¥63.8 billion.

Net cash used in financing activities was ¥67.1 billion ($569 million), compared with ¥36.2 billion provided by such activities in fiscal 2002. This reflected reductions in interest-bearing debt to harness Group funds more efficiently. Outlays included dividend payments of ¥10.1 billion ($86 million) and expenses of ¥17.2 billion ($146 million) to secure treasury stock.

As a result of these factors, cash and cash equivalents at the close of the term were ¥19.0 billion higher than a year earlier, at ¥189.2 billion ($1,604 million).

Capital Expenditures

Capital expenditures for fiscal 2001, 2002 and 2003 were ¥73.3 billion, ¥75.6 billion and ¥73.9 billion ($627 million), respectively. Ricoh allocates significant portions of capital expenditures to digital and networking equipment, such as digital PPCs, MFPs, and laser printers, and manufacturing facilities to maintain and enhance competitiveness.

Ricoh also invests in information systems to support such back office operations as procurement, accounting, and intellectual property management.

In the year under review, Ricoh began to construct new accounting and intellectual property management systems. Management expects capital expenditures to reach about ¥75.0 billion in fiscal 2004.

Key Financial Ratios

We have provided the following ratios to facilitate analysis of Ricoh's operations for fiscal 2001, 2002, and 2003.

	Fiscal 2001	Fiscal 2002	**Fiscal 2003**
Return on sales	3.5%	3.7%	**4.2%**
Return on shareholders' investment	9.7%	10.4%	**11.2%**
Current ratio	1.00	1.30	**1.40**
Debt-to-equity ratio (interest-bearing debt to shareholders' investment)	0.97	0.89	**0.74**
Interest coverage	14.5	16.3	**20.1**

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. 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

FOREIGN EXCHANGE FORWARD CONTRACTS

	Average contractual rates	Millions of yen		Thousands of U.S. dollars	
		Contract amounts	Estimated fair value	Contract amounts	Estimated fair value
US$/¥	120.41	¥ 1,204	¥ 3	$ 10,203	$ 25
EUR/¥	125.67	14,238	(418)	120,661	(3,542)

areas for fiscal 2003, and there were no material quantitative changes in market risk exposure at March 31, 2003.

In the normal course of business, Ricoh also faces risks that are either nonfinancial or unquantifiable. Such risks principally include credit 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.

Contracts related to operating activities generally have maturities of less than six months, while the contracts related to financing activities have the same maturities as the underlying assets and liabilities.

The table above 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 on page 21 provides information about Ricoh's major derivative and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows by expected maturity date, related weighted average interest rates and estimated fair value. For interest rate swaps, the table presents notional amounts by expected maturity date, weighted average interest rates and estimated fair value. Notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

CREDIT RISK

Ricoh is also exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments. However, credit risk arising from the failure 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 only to 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

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

The table below provides information about contractual maturities for available-for-sale securities and the fair values for market risk sensitive securities as of March 31, 2003.

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair value	Cost	Fair value
Debt securities				
Due within one year	¥ 107	¥ 107	$ 907	$ 907
Due within one year through five years	45,020	44,830	381,525	379,915
Equity securities	6,328	10,957	53,628	92,856
Investment trusts*	9,459	8,815	80,161	74,704
Total	¥60,914	¥64,709	$516,221	$548,382

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

Selected Financial Data

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

	1994	1995
For the Year:		
Net sales	¥ 968,318	¥1,020,296
Cost of sales	605,958	628,071
Selling, general and administrative expenses	326,352	339,891
Income before income taxes, minority interests and equity in earnings of affiliates	26,167	41,674
Provision for income taxes	18,233	24,931
Net income	9,520	18,593
Capital expenditures	44,928	45,437
Depreciation and amortization	49,155	44,960
Per Share Data (in yen and dollars)**:**		
Net income:		
Basic	¥ 14.61	¥ 28.54
Diluted	14.47	26.43
Cash dividends paid	10.00	10.00
At Year-End:		
Total assets	¥1,238,275	¥1,320,617
Long-term indebtedness	337,592	386,535
Shareholders' investment	349,945	377,840
Working capital	116,108	142,021
Return on sales	1.0%	1.8%
Return on shareholders' investment	2.7	5.1
Common Stock Price Range (in yen and dollars)**:**		
High	¥ 849	¥ 1,020
Low	561	726

Millions of yen								Thousands of U.S. dollars
1996	1997	1998	1999	2000	2001	2002	**2003**	**2003**
¥1,113,030	¥1,316,072	¥1,403,348	¥1,425,999	¥1,447,157	¥1,538,262	¥1,672,340	**¥1,738,358**	**$14,731,847**
683,406	772,238	838,440	857,423	867,148	924,893	972,394	**993,009**	**8,415,330**
374,246	460,471	475,201	495,029	491,088	508,264	570,251	**611,695**	**5,183,856**
51,020	66,905	68,428	53,054	70,393	97,765	113,950	**123,470**	**1,046,356**
28,251	39,864	40,210	24,555	28,363	43,512	51,147	**51,984**	**440,542**
21,869	28,922	30,131	30,655	41,928	53,228	61,614	**72,513**	**614,517**
48,828	78,666	94,117	70,469	58,356	73,329	75,676	**73,956**	**626,746**
46,430	51,000	61,971	67,456	61,946	62,142	73,782	**76,551**	**648,737**
¥ 33.55	¥ 44.16	¥ 44.97	¥ 44.33	¥ 60.61	¥ 76.85	¥ 88.27	**¥ 99.79**	**$ 0.85**
31.21	38.95	41.35	40.94	56.06	71.02	82.46	**96.81**	**0.82**
10.00	11.00	11.50	11.00	11.00	11.50	12.00	**14.00**	**0.12**
¥1,508,519	¥1,644,896	¥1,660,496	¥1,628,017	¥1,543,320	¥1,704,791	¥1,832,928	**¥1,884,922**	**$15,973,915**
411,023	386,918	295,536	344,580	307,962	217,743	332,995	**345,902**	**2,931,373**
401,471	422,923	475,005	487,459	541,506	556,728	633,020	**657,514**	**5,572,153**
139,163	77,527	31,681	176,161	187,553	(29)	197,967	**233,930**	**1,982,458**
2.0%	2.2%	2.1%	2.1%	2.9%	3.5%	3.7%	**4.2%**	**—**
5.6	7.0	6.7	6.4	8.1	9.7	10.4	**11.2**	**—**
¥ 1,230	¥ 1,530	¥ 1,900	¥ 1,634	¥ 2,525	¥ 2,495	¥ 2,735	**¥ 2,470**	**$ 20.93**
650	1,050	1,270	969	1,078	1,627	1,563	**1,637**	**13.87**

Consolidated Balance Sheets

Ricoh Company, Ltd. and Consolidated Subsidiaries
March 31, 2002 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Current Assets:			
Cash and cash equivalents	¥ 170,172	**¥ 189,243**	**$ 1,603,754**
Time deposits	12,478	**11,087**	**93,958**
Marketable securities	22,935	**107**	**907**
Trade receivables—			
Notes	85,269	**76,022**	**644,254**
Accounts	376,073	**359,769**	**3,048,890**
Less—Allowance for doubtful receivables	(18,943)	**(17,849)**	**(151,263)**
Inventories—			
Finished goods	116,435	**102,164**	**865,796**
Work in process and raw materials	45,741	**43,887**	**371,924**
Deferred income taxes and other	53,508	**58,083**	**492,229**
Total current assets	863,668	**822,513**	**6,970,449**
Property, Plant and Equipment, at Cost:			
Land	44,542	**42,990**	**364,322**
Buildings	202,581	**204,606**	**1,733,949**
Machinery and equipment	663,723	**660,458**	**5,597,102**
Construction in progress	2,969	**6,540**	**55,424**
	913,815	**914,594**	**7,750,797**
Less—Accumulated depreciation	(654,435)	**(665,842)**	**(5,642,729)**
	259,380	**248,752**	**2,108,068**
Investments and Other Assets:			
Finance receivables	447,829	**476,293**	**4,036,381**
Investment securities	28,886	**71,973**	**609,941**
Investments in and advances to affiliates	47,434	**45,791**	**388,059**
Goodwill	29,687	**28,109**	**238,212**
Other intangible assets	37,598	**40,020**	**339,153**
Lease deposits and other	118,446	**151,471**	**1,283,652**
	709,880	**813,657**	**6,895,398**
	¥1,832,928	**¥1,884,922**	**$15,973,915**

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
	2002	**2003**	**2003**
Current Liabilities:			
Short-term borrowings	¥ 161,094	**¥ 84,478**	**$ 715,915**
Current maturities of long-term indebtedness	67,314	**54,235**	**459,619**
Trade payables—			
Notes	35,481	**32,943**	**279,178**
Accounts	242,272	**247,855**	**2,100,466**
Accrued income taxes	33,356	**42,393**	**359,263**
Accrued expenses and other	126,184	**126,679**	**1,073,550**
Total current liabilities	665,701	**588,583**	**4,987,991**
Long-Term Liabilities:			
Long-term indebtedness	332,995	**345,902**	**2,931,373**
Accrued pension and severance costs	119,572	**209,011**	**1,771,280**
Deferred income taxes	30,592	**30,653**	**259,771**
	483,159	**585,566**	**4,962,424**
Minority Interests	51,048	**53,259**	**451,347**
Commitments and Contingent Liabilities (Note 16)			
Shareholders' Investment:			
Common stock:			
Authorized—1,000,000,000 shares in 2002 and 993,000,000 shares in 2003			
Issued and outstanding—727,278,256 shares and 727,086,738 shares in 2002 and 744,912,078 shares and 742,608,635 shares in 2003	120,461	**135,364**	**1,147,153**
Additional paid-in capital	171,628	**186,521**	**1,580,686**
Retained earnings	385,741	**434,748**	**3,684,305**
Accumulated other comprehensive income (loss)	(44,376)	**(94,733)**	**(802,822)**
Treasury stock at cost; 191,518 shares in 2002 and 2,303,443 shares in 2003	(434)	**(4,386)**	**(37,169)**
Total shareholders' investment	633,020	**657,514**	**5,572,153**
	¥1,832,928	**¥1,884,922**	**$15,973,915**

Consolidated Statements of Income

Ricoh Company, Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Net Sales	¥1,538,262	¥1,672,340	**¥1,738,358**	**$14,731,847**
Cost of Sales	924,893	972,394	**993,009**	**8,415,330**
Gross profit	613,369	699,946	**745,349**	**6,316,517**
Selling, General and Administrative Expenses	508,264	570,251	**611,695**	**5,183,856**
Operating income	105,105	129,695	**133,654**	**1,132,661**
Other (Income) Expenses:				
Interest and dividend income	(8,045)	(4,753)	**(3,772)**	**(31,966)**
Interest expense	7,787	8,233	**6,853**	**58,076**
Foreign currency exchange (gain) loss, net	(3,490)	5,732	**566**	**4,797**
Other, net	11,088	6,533	**6,537**	**55,398**
Total	7,340	15,745	**10,184**	**86,305**
Income before Income Taxes, Minority Interests and Equity in Earnings of Affiliates	97,765	113,950	**123,470**	**1,046,356**
Provision for Income Taxes:				
Current	53,506	52,365	**63,183**	**535,449**
Deferred	(9,994)	(1,218)	**(11,199)**	**(94,907)**
Total	43,512	51,147	**51,984**	**440,542**
Income before Minority Interests and Equity in Earnings of Affiliates	54,253	62,803	**71,486**	**605,814**
Minority Interests	3,123	3,080	**1,376**	**11,661**
Equity in Earnings of Affiliates	2,098	1,891	**2,403**	**20,364**
Net Income	¥ 53,228	¥ 61,614	**¥ 72,513**	**$ 614,517**

	Yen			U.S. dollars
Per Share of Common Stock:				
Net income:				
Basic	¥ 76.85	¥ 88.27	**¥ 99.79**	**$ 0.85**
Diluted	71.02	82.46	**96.81**	**0.82**
Cash dividends paid	¥ 11.50	¥ 12.00	**¥ 14.00**	**$ 0.12**
Per American Depositary Share, Each Representing 5 Shares of Common Stock:				
Net income:				
Basic	¥ 384.25	¥ 441.35	**¥ 498.95**	**$ 4.23**
Diluted	355.10	412.30	**484.05**	**4.10**
Cash dividends paid	¥ 57.50	¥ 60.00	**¥ 70.00**	**$ 0.59**

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

Consolidated Statements of Shareholders' Investment

Ricoh Company, Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Common Stock:				
Beginning balance	¥103,112	¥103,434	**¥120,461**	**$1,020,856**
Conversion of convertible bonds; 672,625 shares in 2001, 34,522,672 shares in 2002, and 24,633,822 shares in 2003	322	17,027	**14,903**	**126,297**
Ending balance	¥103,434	¥120,461	**¥135,364**	**$1,147,153**
Additional Paid-in Capital:				
Beginning balance	¥154,314	¥154,635	**¥171,628**	**$1,454,474**
Conversion of convertible bonds	321	16,993	**14,893**	**126,212**
Ending balance	¥154,635	¥171,628	**¥186,521**	**$1,580,686**
Retained Earnings:				
Beginning balance	¥287,182	¥332,447	**¥385,741**	**$3,268,991**
Net income for the year	53,228	61,614	**72,513**	**614,517**
Dividends declared and approved	(7,963)	(8,320)	**(10,178)**	**(86,254)**
Retirement of treasury stock; 7,000,000 shares in 2003	—	—	**(13,328)**	**(112,949)**
Ending balance	¥332,447	¥385,741	**¥434,748**	**$3,684,305**
Accumulated Other Comprehensive Income (Loss):				
Beginning balance	¥ (3,102)	¥(33,788)	**¥(44,376)**	**$ (376,068)**
Foreign currency translation adjustments	(1,740)	6,516	**1,007**	**8,534**
Unrealized gains (losses) on securities, net of reclassification adjustment	(6,967)	(766)	**(1,984)**	**(16,814)**
Unrealized gains (losses) on derivatives, net of reclassification adjustment	—	(207)	**29**	**246**
Minimum pension liability adjustments	(21,979)	(16,131)	**(49,409)**	**(418,720)**
Ending balance	¥(33,788)	¥(44,376)	**¥(94,733)**	**$ (802,822)**
Treasury stock:				
Beginning balance	—	¥ —	**¥ (434)**	**$ (3,678)**
Purchase of treasury stock; 446,928 shares in 2002 and 9,111,925 shares in 2003	—	(1,083)	**(17,280)**	**(146,440)**
Sales of treasury stock; 269,000 shares in 2002	—	649	**—**	**—**
Retirement of treasury stock; 7,000,000 shares in 2003	—	—	**13,328**	**112,949**
Ending balance	—	¥ (434)	**¥ (4,386)**	**$ (37,169)**
Comprehensive Income:				
Net income for the year	¥ 53,228	¥ 61,614	**¥ 72,513**	**$ 614,517**
Other comprehensive income (loss) for the year, net of tax	(30,686)	(10,588)	**(50,357)**	**(426,754)**
Total comprehensive income for the year	¥ 22,542	¥ 51,026	**¥ 22,156**	**$ 187,763**

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, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Cash Flows from Operating Activities:				
Net income	¥ 53,228	¥ 61,614	**¥ 72,513**	**$ 614,517**
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization	62,142	73,782	**76,551**	**648,737**
Equity in earnings of affiliates, net of dividends received	(1,056)	(1,260)	**(1,167)**	**(9,890)**
Deferred income taxes	(9,994)	(1,218)	**(9,289)**	**(78,720)**
Losses on disposals and sales of property, plant and equipment	2,223	1,665	**1,975**	**16,737**
Changes in assets and liabilities, net of effects from acquisition—				
(Increase) decrease in trade receivables	(32,476)	(20,006)	**22,176**	**187,932**
(Increase) decrease in inventories	(7,167)	21,194	**14,983**	**126,975**
Increase in finance receivables	(15,127)	(13,620)	**(33,109)**	**(280,585)**
(Decrease) increase in trade payables	16,235	(19,535)	**5,632**	**47,729**
(Decrease) increase in accrued income taxes and accrued expenses and other	27,310	(13,592)	**11,173**	**94,686**
Increase in accrued pension and severance costs	1,667	8,374	**7,806**	**66,153**
Other, net	5,743	7,740	**16,498**	**139,814**
Net cash provided by operating activities	102,728	105,138	**185,742**	**1,574,085**
Cash Flows from Investing Activities:				
Proceeds from sales of property, plant and equipment	1,120	756	**245**	**2,076**
Expenditures for property, plant and equipment	(73,040)	(75,231)	**(71,984)**	**(610,034)**
Payments for purchases of available-for-sale securities	(23,395)	(10,025)	**(52,219)**	**(442,534)**
Proceeds from sales of available-for-sale securities	66,778	24,568	**24,513**	**207,737**
(Increase) decrease in time deposits	6,797	(477)	**944**	**8,000**
Payments for acquisition of Lanier Worldwide, Inc., net of cash acquired	(28,103)	—	**—**	**—**
Other, net	(10,354)	(21,012)	**302**	**2,560**
Net cash used in investing activities	(60,197)	(81,421)	**(98,199)**	**(832,195)**
Cash Flows from Financing Activities:				
Proceeds from long-term loans	33,183	71,075	**58,194**	**493,169**
Repayment of long-term loans	(114,701)	(79,640)	**(23,133)**	**(196,042)**
(Decrease) increase in short-term borrowings, net	5,565	(39,414)	**(73,393)**	**(621,975)**
Proceeds from issuance of long-term debt securities	—	103,500	**11,000**	**93,220**
Repayment of long-term debt securities	(2,990)	(10,000)	**(11,723)**	**(99,347)**
Dividend payments	(7,964)	(8,322)	**(10,176)**	**(86,237)**
Payment for purchase of treasury stock	—	(1,054)	**(17,281)**	**(146,449)**
Other, net	(1,475)	90	**(631)**	**(5,347)**
Net cash provided by (used in) financing activities	(88,382)	36,235	**(67,143)**	**(569,008)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	975	2,474	**(1,329)**	**(11,263)**
Net Increase (Decrease) in Cash and Cash Equivalents	(44,876)	62,426	**19,071**	**161,619**
Cash and Cash Equivalents at Beginning of Year	152,622	107,746	**170,172**	**1,442,135**
Cash and Cash Equivalents at End of Year	¥ 107,746	¥170,172	**¥189,243**	**$1,603,754**
Supplemental Disclosures of Cash Flow Information:				
Cash Paid during the Year for—				
Interest	¥ 13,749	¥ 9,418	**¥ 7,300**	**$ 61,864**
Income taxes	57,192	53,129	**52,154**	**441,983**

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

1. NATURE OF OPERATIONS

Ricoh Company, Ltd. (the “Company”), was established in 1936, and is headquartered in Tokyo, Japan. The Company and its consolidated subsidiaries (“Ricoh” as a consolidated group) is a worldwide supplier of office automation equipment, including copiers, facsimile machines, data processing systems, printers and related supplies. Ricoh is also well known for its state-of-the-art electronic devices, digital photographic equipment, and 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 7 plants overseas, which are located in the United States, United Kingdom, France, and China.

2. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The accompanying consolidated financial statements of Ricoh have been prepared in conformity with accounting principles generally accepted in the United States of America. Significant accounting and reporting policies are summarized below:

(a) Basis of Presentation

The accompanying consolidated financial statements for the three years ended March 31, 2003 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, 2003 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, 2003.

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ricoh. Investments in entities in which Ricoh has the ability to exercise significant influence over the entities’ operating and financial policies (generally 20 to 50 percent ownership) are accounted for on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The accounts of certain consolidated subsidiaries have been included on the basis of fiscal periods ended within three months prior to March 31.

(c) Revenue Recognition

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

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

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

(d) Foreign Currency Translation

For foreign operations with functional currencies other than Japanese yen, assets and liabilities are translated at the exchange rates in effect at each fiscal year-end, and income and expenses are translated at the average rates of exchange prevailing during each fiscal year. The resulting translation adjustments are included as a part of accumulated other comprehensive income (loss) in shareholders’ investment.

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

(e) Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase.

Beginning April 1, 2002, Ricoh changed its policy concerning which short-term investments are treated as cash equivalents in its consolidated balance sheets and statements of cash flows. Cash equivalents formerly included certificates of deposit and time deposits with maturities of three months or less at the date of purchase. In addition to the above, Ricoh decided to include in cash equivalents other 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. Ricoh believes this change is preferable, since it expects to utilize such short-term investment securities more significantly in its operating cash management activities. In relation to this change, Ricoh has restated its consolidated balance sheets and consolidated statements of cash flows for prior years. The effect of this change on previously reported amounts was to increase cash and cash equivalents by ¥40,784 million, ¥43,289 million and ¥27,664 million with corresponding decreases to marketable securities as of March 31, 2000, 2001 and 2002, respectively, and to decrease net cash used in investing activities by ¥2,531 million and to increase by ¥15,629 million, respectively, for the years ended March 31, 2001 and 2002.

(f) Derivative Financial Instruments and Hedging Activities

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

In accordance with SFAS No. 133, Ricoh, when it enters into a derivative contract, makes a determination as to whether or not for accounting purposes the derivative is part of a hedging relationship. In general, a derivative may be designated as either (1) a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value hedge"), (2) a hedge of the variability of the expected cash flows associated with an existing asset or liability or a forecasted transaction ("cash flow hedge"), or (3) a foreign currency fair value or cash flow hedge ("foreign currency hedge"). Ricoh formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair values, 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.

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

(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 the write-off history, adjusted to reflect current economic conditions and specific allowances for receivables including nonperforming leases, impaired loans or other accounts of which Ricoh has concluded it will be unable to collect all amounts due according to original terms of the lease or loan agreement. Account balances are charged-off against the allowances when collection is considered remote.

(h) Securities

Ricoh conforms with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires all investments in debt and marketable equity securities to be classified as either held-to-maturity, trading, or available-for-sale securities. As of March 31, 2002 and 2003, all of Ricoh's investments in debt and marketable equity securities are classified as available-for-sale securities. Those available-for-sale securities are reported at fair value with unrealized gains and losses, net of related taxes, excluded from earnings and reported in accumulated other comprehensive income (loss). Available-for-sale securities, which mature or are expected to be sold in one year, are classified as current assets.

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

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

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

(i) Inventories

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

(j) Property, Plant and Equipment

For the Company and its domestic subsidiaries, depreciation of property, plant and equipment is computed principally by using the declining-balance method over the estimated useful lives. Most of the foreign subsidiaries have adopted the straight-line method for computing depreciation, which currently accounts for approximately 41% of the consolidated depreciation expense. The depreciation period generally ranges from 5 years to 50 years for buildings and 2 years to 12 years for machinery and equipment.

Effective rates of depreciation for the years ended March 31, 2001, 2002 and 2003 are summarized below:

	2001	2002	**2003**
Buildings	8.0%	8.3%	**8.1%**
Machinery and equipment	36.6	40.6	**41.0**

Certain leased buildings, machinery and equipment are accounted for as capital leases in conformity with SFAS No. 13, "Accounting for Leases." The aggregate cost included in plant and equipment and related accumulated depreciation as of March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Aggregate cost	¥6,578	**¥7,339**	**$62,195**
Accumulated depreciation	3,965	**4,036**	**34,203**

The related future minimum lease payments and the present value of the net minimum lease payments as of March 31, 2003 were ¥4,676 million ($39,627 thousand) and ¥4,237 million ($35,907 thousand), respectively.

Ordinary maintenance and repairs are charged to expense as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts, and any differences are included in earnings.

(k) Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the use of only the purchase method of accounting for business combinations and refines the definition of intangible assets acquired in a purchase business combination. SFAS No. 142 eliminates the amortization of goodwill and instead requires annual impairment testing thereof. SFAS No. 142 also requires acquired intangible assets with a definite useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144. Any acquired intangible asset determined to have an indefinite useful life is not amortized, but instead is tested for impairment based on its fair value until its life would be determined to no longer be indefinite.

Ricoh fully adopted the provisions of SFAS No. 141 and SFAS No. 142 as of April 1, 2002. Goodwill acquired in business combinations completed before July 1, 2001, was amortized until March 31, 2002. In connection with the transitional impairment evaluation, SFAS No. 142 required Ricoh to perform an assessment of whether there was an indication that goodwill was impaired as of April 1, 2002. To accomplish this, Ricoh (1) identified its reporting units, (2) determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units, and (3) determined the fair value of each reporting unit. Ricoh completed the transitional assessment by September 30, 2002, and determined there was no indication that goodwill had been impaired as of April 1, 2002. Ricoh also completed the annual assessment for the year ended March 31, 2003 and determined that no goodwill impairment charge was necessary.

Prior to the adoption of SFAS No. 142, Ricoh classified the cost in excess of fair value of the net assets of companies acquired in purchase transactions as goodwill, and the goodwill was being amortized on a straight-line method over the estimated periods benefited, not to exceed 20 years.

(l) Pension and Retirement Allowances Plans

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

(m) Income Taxes

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

Income taxes are provided for undistributed earnings of foreign subsidiaries.

(n) Research and Development Expenses and Advertising Costs

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

(o) Shipping and Handling Costs

Shipping and handling costs, which mainly include transportation to customers, are included in selling, general and administrative expenses in the consolidated statements of income.

(p) Impairment or Disposal of Long-Lived Assets

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

SFAS No. 144 requires that long-lived assets and acquired intangible assets with a definite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of assets to be held and used is assessed by comparing the carrying amount of an asset or asset group to the expected future undiscounted net cash flows of the asset or group of assets. If an asset or group of assets is considered to be impaired, the impairment charge to be recognized is measured as the amount by which the carrying amount of the asset or group of assets exceeds fair value. Long-lived assets meeting the criteria to be considered as held for sale are reported at the lower of their carrying amount or fair value less costs to sell.

Prior to the adoption of SFAS No. 144, Ricoh accounted for long-lived assets in accordance with SFAS No. 121.

(q) Earnings Per Share

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

(r) Non-cash Transactions

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

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Conversion of convertible bonds	¥ 1,088	¥35,620	**¥32,905**	**$278,856**
Capital lease obligations incurred	289	445	**1,697**	**14,381**
Assets and liabilities of Lanier Worldwide, Inc., in 2001:				
Fair value of assets acquired	134,586	—	**—**	**—**
Liabilities assumed	104,623	—	**—**	**—**
Retirement of treasury stock	—	—	**13,328**	**112,949**

(s) Use of Estimates

Management of the Company has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, including impairment losses of long-lived assets and the disclosures of fair value of financial instruments and contingent assets and liabilities, to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

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

(t) New Accounting Standards

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

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement 13 and Technical Corrections." SFAS No. 145 requires gains and losses on extinguishments of debt to be classified as gains or losses from continuing operations rather than as extraordinary items as previously required under SFAS No. 4, unless the gains and losses meet the criteria to be classified as extraordinary pursuant to APB 30. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-lease back transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-lease back transactions. The rescission of SFAS No. 4 is effective for transactions occurring after May 15, 2002. The provisions of SFAS No. 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. The adoption of these provisions had no impact on Ricoh's consolidated financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The Statement requires that a liability for costs associated with exit or disposal activities be recognized in the period in which the costs are incurred if a reasonable estimate of fair value can be made. Under current accounting guidance, a liability can be recognized when management has committed to an exit plan. The requirements under SFAS No. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Restatement of previously issued financial statements is not permitted. The adoption of this Statement did not have a material effect on Ricoh's consolidated financial position or results of operations.

In November 2002, the Emerging Issue Task Force ("EITF") reached a final consensus on EITF 00-21, "Revenue Arrangements with Multiple Deliverables." EITF 00-21 addresses certain aspects of the accounting for revenue arrangements with multiple deliverables by a vendor. The Issue outlines an approach to determine when a revenue arrangement for multiple deliverables should be divided into separate units of accounting and, if separation is appropriate, how the arrangement consideration should be allocated to the identified accounting units. The consensus reached in the Issue will be effective for Ricoh in its financial statements beginning July 1, 2003. Ricoh will adopt EITF00-21 in the quarter beginning July 1, 2003. Ricoh is currently determining the impact, if any, of the adoption of EITF 00-21 on Ricoh's consolidated financial position and results of operations.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The Interpretation has not had a material effect on Ricoh's consolidated financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities ("VIEs")," which addresses consolidation by business enterprises of variable interest entities that either: (1) do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) the equity investors lack an essential characteristic of a controlling financial interest. Ricoh does not anticipate the adoption of this Interpretation will have any impact on its financial position or results of operations as it presently does not have investments in VIEs.

(u) Reclassification

Certain reclassifications have been made to the prior years' consolidated financial statements to conform the presentation used for the year ended March 31, 2003.

3. ACQUISITION

In January 2001, Ricoh completed a take-over bid for Lanier Worldwide, Inc. ("Lanier"), for cash of ¥29,963 million. As a result of this acquisition, Lanier became a wholly owned subsidiary that distributes Lanier brand name office equipment products in the global marketplace. The acquisition was accounted for using the purchase method of accounting. The cash purchase price has been allocated on Ricoh's balance sheets to the tangible and intangible net assets and resulted in goodwill of ¥25,496 million. The results of operations for Lanier for the post-acquisition period for the two months ended March 31, 2001, and years thereafter are included in the accompanying consolidated statements of income. The following unaudited pro forma information presents the consolidated results of operations for the year ended March 31, 2001, as if the acquisition had occurred as of the beginning of that year:

	Millions of yen
	2001
Net sales	¥1,624,036
Net income	49,474

	Yen
	2001
Net income per share of common stock—	
Basic	¥71.43
Diluted	66.03

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the acquisition been made at the beginning of the year or the results that may occur in the future.

In December 2002, Ricoh acquired the remaining outstanding shares of Shanghai Ricoh Facsimile Co., Ltd. ("Shanghai Ricoh") for ¥1,745 million ($14,788 thousand). The acquisition of the remaining 45% interest in Shanghai Ricoh was accounted for using the purchase method of accounting and resulted in goodwill of ¥778 million ($6,593 thousand).

4. FINANCE RECEIVABLES

Finance receivables as of March 31, 2002 and 2003 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 qualify and are accounted for as sales-type leases in conformity with SFAS No. 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, 2002 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Minimum lease payments receivable	¥460,380	**¥486,165**	**$4,120,042**
Estimated non-guaranteed residual value	1,976	**2,209**	**18,720**
Unearned income	(50,576)	**(49,039)**	**(415,584)**
Allowance for doubtful receivables	(12,926)	**(13,573)**	**(115,025)**
Net lease receivables	¥398,854	**¥425,762**	**$3,608,153**

As of March 31, 2003, 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
2004	¥157,672	$1,336,203
2005	132,590	1,123,644
2006	98,457	834,381
2007	64,847	549,551
2008	26,907	228,026
2009 and thereafter	5,692	48,237
Total	¥486,165	$4,120,042

Ricoh Leasing Company, Ltd., has also extended certain other types of loans as part of its business activities, which are primarily residential housing loans to individuals in Japan secured by the underlying real estate properties. Loan terms range from 15 years to 30 years with monthly repayments. The total balances of these loans, net of allowance for doubtful receivables, as of March 31, 2002 and 2003 were ¥48,975 million and ¥50,531 million ($428,229 thousand), respectively. Loan activities for the years ended March 31, 2001, 2002 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Extension of new loans	¥10,916	¥8,638	**¥11,559**	**$97,958**
Repayment of outstanding loans	6,393	7,554	**9,993**	**84,686**

Ricoh sold finance lease receivables with pretax gains of ¥175 million and ¥225 million for the years ended March 31, 2001 and 2002, respectively, through securitization transactions. Servicing assets or liabilities related to securitization transactions initiated were not recorded because the servicing fees adequately compensated Ricoh. Ricoh's retained interests are subordinate to investors' interests. Their value is subject to credit and interest rate risk on the sold financial assets. The investors and Special Purpose Entities have no recourse to Ricoh's other assets for failure of debtors to pay.

Key economic assumptions used in measuring the fair value of retained interests related to securitization transactions completed during the years ended March 31, 2002 and 2003 were as follows:

	2002	**2003**
Expected credit losses	0.75%–1.35%	**0.75%–1.35%**
Discount rate	0.89%–3.00%	**0.89%–3.00%**

The impacts of 10% and 20% adverse changes to the key economic assumptions on the fair value of retained interests as of March 31, 2003 are presented below.

	Millions of yen	Thousands of U.S. dollars
	2003	**2003**
Carrying value of retained interests (included in lease deposits and other in the consolidated balance sheets)	**¥10,596**	**$89,797**
Expected credit losses:		
+10%	**119**	**1,008**
+20%	**237**	**2,008**
Discount rate:		
+10%	**47**	**398**
+20%	**86**	**729**

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

The following table summarizes certain cash flows received from and paid to the Special Purpose Entities for all securitization activity for the years ended March 31, 2001, 2002 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Proceeds from new securitization	¥29,869	¥25,000	**¥ —**	**$ —**
Servicing fees received	32	39	**37**	**314**
Repurchases of delinquent or ineligible assets	3,277	5,138	**5,750**	**48,729**

Amounts of delinquencies, net credit losses, and components of all receivables managed and securitized as of March 31, 2002 and 2003, and for the years then ended, are as follows:

	Millions of yen					
	2002			**2003**		
	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	¥491,791	¥977	¥3,937	**¥504,252**	**¥1,175**	**¥3,893**
Less: receivables securitized	(80,011)			**(64,917)**		
Receivables held in portfolio	¥411,780			**¥439,335**		

	Thousands of U.S. dollars		
	2003		
	Total principal amount of receivables	Principal amount of receivables 4 months or more past due	Net credit losses
Principal amount outstanding	**$4,273,322**	**$9,958**	**$32,992**
Less: receivables securitized	**(550,144)**		
Receivables held in portfolio	**$3,723,178**		

5. SECURITIES

Marketable securities and investment securities as of March 31, 2002 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Marketable securities:			
Available-for-sale securities	¥22,935	**¥ 107**	**$ 907**
Investment securities:			
Available-for-sale securities	¥23,337	**¥64,602**	**$547,475**
Non-marketable equity securities	5,549	**7,371**	**62,466**
	¥28,886	**¥71,973**	**$609,941**

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, 2002 and 2003 are as follows:

	Millions of yen							
	2002				**2003**			
	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	¥ 21,338	¥1,205	¥ 12	¥22,531	**¥ 107**	**¥ —**	**¥ —**	**¥ 107**
Other	404	—	—	404	**—**	**—**	**—**	**—**
	¥21,742	¥1,205	¥ 12	¥22,935	**¥ 107**	**¥ —**	**¥ —**	**¥ 107**
Noncurrent:								
Equity securities	¥ 7,457	¥6,025	¥469	¥13,013	**¥ 6,328**	**¥5,148**	**¥ 519**	**¥10,957**
Corporate debt securities	20	6	—	26	**45,020**	**5**	**195**	**44,830**
Other	10,612	205	519	10,298	**9,459**	**10**	**654**	**8,815**
	¥18,089	¥6,236	¥988	¥23,337	**¥60,807**	**¥5,163**	**¥1,368**	**¥64,602**

	Thousands of U.S. dollars			
	2003			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Current:				
Corporate debt securities	**$ 907**	**$ —**	**$ —**	**$ 907**
Other	**—**	**—**	**—**	**—**
	$907	**$ —**	**$ —**	**$ 907**
Noncurrent:				
Equity securities	**$ 53,628**	**$43,627**	**$ 4,399**	**$ 92,856**
Corporate debt securities	**381,525**	**42**	**1,652**	**379,915**
Other	**80,161**	**85**	**5,542**	**74,704**
	$515,314	**$43,754**	**$11,593**	**$547,475**

The table presented in the preceding paragraph and other information in this note were restated to reflect the change in policy for short-term investments treated as cash equivalents (see Note 2 (e)).

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

The contractual maturities of debt securities classified as available-for-sale as of March 31, 2003, 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	**¥ 107**	**¥ 107**	**$ 907**	**$ 907**
Due after one year through five years	**45,020**	**44,830**	**381,525**	**379,915**
	¥45,127	**¥44,937**	**$382,432**	**$380,822**

Proceeds from the sales of available-for-sale securities were ¥66,778 million, ¥24,568 million and ¥24,513 million ($207,737 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively.

The gross realized gains on sales of available-for-sale securities were ¥2,898 million for the year ended March 31, 2001, and there were no significant realized gains on sales of available-for-sale securities for the years ended March 31, 2002 and 2003. There were no significant realized losses on sales of available-for-sale securities for the three years ended March 31, 2003. The losses on securities of ¥2,739 million and ¥2,260 million ($19,153 thousand) for the years ended March 31, 2002 and 2003, respectively, were charged to other expense for declines in market value of available-for-sale securities where the decline was determined to be other than temporary.

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

6. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The investments in and advances to affiliates primarily relate to 20% to 50% owned companies. Included in these companies is COCA-COLA WEST JAPAN COMPANY, LIMITED, a 21.1% 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 ¥37,529 million ($318,042 thousand) as of March 31, 2003. The quoted market value of this company was ¥33,577 million ($284,551 thousand) as of March 31, 2003.

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

Summarized financial information for all affiliates as of March 31, 2002 and 2003 and for the years ended March 31, 2001, 2002 and 2003 is as follows:

Financial Position

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Assets—			
Current assets	¥122,974	**¥124,156**	**$1,052,169**
Other assets	141,148	**139,357**	**1,180,992**
	¥264,122	**¥263,513**	**$2,233,161**
Liabilities and shareholders' investment—			
Current liabilities	¥ 41,852	**¥ 40,954**	**$ 347,068**
Other liabilities	13,972	**13,176**	**111,661**
Shareholders' investment	208,298	**209,383**	**1,774,432**
	¥264,122	**¥263,513**	**$2,233,161**

Operations

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Sales	¥263,804	¥288,992	**¥338,035**	**$2,864,703**
Costs and expenses	254,137	277,950	**327,139**	**2,772,364**
Net income	¥ 9,667	¥ 11,042	**¥ 10,896**	**$ 92,339**

The significant transactions of Ricoh with these affiliates for the years ended March 31, 2001, 2002 and 2003, and the related account balances at March 31, 2002 and 2003 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Transactions—				
Sales	¥20,952	¥25,413	**¥26,510**	**$224,661**
Purchases	13,673	15,584	**19,808**	**167,864**
Dividend income	1,008	1,133	**1,236**	**10,475**

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

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Account balances—			
Receivables	¥8,513	**¥6,434**	**$54,525**
Payables	2,858	**1,604**	**13,593**

As of March 31, 2003, consolidated retained earnings included undistributed earnings of 20% to 50% owned companies accounted for by the equity method in the amount of ¥38,913 million ($329,771 thousand).

7. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Millions of yen					
	2002			**2003**		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization						
Software	¥20,956	¥(7,315)	¥13,641	**¥31,764**	**¥(12,763)**	**¥19,001**
Trade name and customer base	14,427	(1,897)	12,530	**13,463**	**(3,217)**	**10,246**
Other	12,843	(3,217)	9,626	**13,633**	**(4,192)**	**9,441**
Total	48,226	(12,429)	35,797	**58,860**	**(20,172)**	**38,688**
Other intangible assets not subject to amortization			1,801			**1,332**
Total other intangible assets			¥37,598			**¥40,020**

	Thousands of U.S. dollars		
	2003		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization			
Software	**$269,186**	**$(108,161)**	**$161,025**
Trade name and customer base	**114,094**	**(27,263)**	**86,831**
Other	**115,534**	**(35,525)**	**80,009**
Total	**498,814**	**(170,949)**	**327,865**
Other intangible assets not subject to amortization			**11,288**
Total other intangible assets			**$339,153**

The aggregate amortization expense of other intangible assets subject to amortization for the year ended March 31, 2003 was ¥6,993 million ($59,263 thousand). The future amortization expense for each of the five years relating to intangible assets currently recorded in the consolidated balance sheets is estimated to be the following at March 31, 2003:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥8,140	$68,983
2005	6,985	59,195
2006	5,451	46,195
2007	3,243	27,483
2008	1,993	16,890

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

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥29,687	$251,585
Goodwill acquired during the year	1,176	9,966
Foreign exchange impact	(2,754)	(23,339)
Balance at end of year	¥28,109	$238,212

As of March 31, 2003, all the carrying value of goodwill was allocated to the office equipment segment.

The following table reconciles previously reported net income and net income per share for the years ended March 31, 2001 and 2002, as if the provisions of SFAS No. 142 had been in effect.

	Millions of yen	
	2001	2002
Net income		
Reported net income	¥53,228	¥61,614
Goodwill amortization	736	2,514
Adjusted net income	53,964	64,128

	Yen	
	2001	2002
Net income per share		
Reported net income per share—basic	¥ 76.85	¥ 88.27
Goodwill amortization	1.06	3.60
Adjusted net income per share—basic	77.91	91.87
Reported net income per share—diluted	71.02	82.46
Goodwill amortization	0.98	3.34
Adjusted net income per share—diluted	72.00	85.80

8. INCOME TAXES

Income before income taxes, minority interests and equity in earnings of affiliates and provision for income taxes for the years ended March 31, 2001, 2002 and 2003 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Income before income taxes, minority interests and equity in earnings of affiliates—				
Domestic	¥77,820	¥ 95,723	**¥ 84,946**	**$ 719,881**
Foreign	19,945	18,227	**38,524**	**326,475**
	¥97,765	¥113,950	**¥123,470**	**$1,046,356**
Provision for income taxes—				
Current:				
Domestic	¥45,684	¥ 43,564	**¥ 50,103**	**$ 424,602**
Foreign	7,822	8,801	**13,080**	**110,847**
	53,506	52,365	**63,183**	**535,449**
Deferred:				
Domestic	(10,380)	(3,524)	**(9,043)**	**(76,636)**
Foreign	386	2,306	**(2,156)**	**(18,271)**
	(9,994)	(1,218)	**(11,199)**	**(94,907)**
Consolidated provision for income taxes	¥43,512	¥ 51,147	**¥ 51,984**	**$ 440,542**

Total income taxes are allocated as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Provision for income taxes	¥43,512	¥51,147	**¥51,984**	**$ 440,542**
Shareholders' investment:				
Foreign currency translation adjustments	(1,252)	2,062	**(826)**	**(7,000)**
Unrealized gains (losses) on securities	629	(582)	**(1,130)**	**(9,576)**
Unrealized losses on derivatives	—	(146)	**(9)**	**(76)**
Minimum pension liability adjustment	(15,818)	(11,760)	**(30,811)**	**(261,110)**
	¥27,071	¥40,721	**¥19,208**	**$ 162,780**

The Company and its domestic subsidiaries are subject to National Corporate tax of 30%, an inhabitant tax of approximately 6% and a deductible Enterprise tax approximately 10%, which in the aggregate resulted in the normal statutory tax rate of approximately 42%. The normal statutory tax rate differs from the effective tax rate for the years ended March 31, 2001, 2002 and 2003 as a result of the following:

	2001	2002	**2003**
Normal tax rate	42%	42%	**42%**
Nondeductible expenses	2	1	**1**
Tax benefits not recognized on operating losses of certain consolidated subsidiaries	0	3	**3**
Utilization of net operating loss carryforward not previously recognized	(2)	(0)	**(4)**
Tax credit for increased research and development expense	(0)	(0)	**(1)**
Effect of change in enacted tax rate	—	—	**2**
Other, net	3	(1)	**(1)**
Effective tax rate	45%	45%	**42%**

Nondeductible expenses include directors' bonuses and entertainment expenses.

Based on an enacted change in the Japanese tax laws in March, 2003, the normal statutory tax rate will be reduced to approximately 40% effective April 1, 2004, and such rate has been used in calculating the future expected tax effects of temporary differences and carryforwards that will be realized or settled after March 31, 2004.

The tax effects of temporary differences and carryforwards giving rise to the consolidated deferred income tax assets and liabilities as of March 31, 2002 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Assets:			
Accrued expenses	¥ 17,866	**¥ 26,184**	**$ 221,898**
Depreciation	4,640	**4,014**	**34,017**
Accrued pension and severance costs	41,523	**84,230**	**713,814**
Net operating losses carryforward	19,080	**13,839**	**117,280**
Other	28,222	**31,460**	**266,610**
	111,331	**159,727**	**1,353,619**
Less—Valuation allowance	(11,300)	**(9,193)**	**(77,907)**
	¥100,031	**¥150,534**	**$1,275,712**
Liabilities:			
Sales-type leases	¥ (4,964)	**¥ (7,112)**	**$ (60,271)**
Undistributed earnings of foreign subsidiaries and affiliates	(12,291)	**(12,801)**	**(108,483)**
Net unrealized holding gains on available-for-sale securities	(8,932)	**(8,957)**	**(75,907)**
Other	(9,757)	**(11,361)**	**(96,280)**
	¥(35,944)	**¥(40,231)**	**$ (340,941)**
Net deferred tax assets	¥ 64,087	**¥110,303**	**$ 934,771**

Net deferred tax assets as of March 31, 2002 and 2003 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Deferred income taxes and other (Current Assets)	¥ 35,508	**¥ 41,993**	**$ 355,873**
Lease deposits and other (Non-Current Assets)	59,732	**99,204**	**840,712**
Accrued expenses and other (Current Liabilities)	(561)	**(241)**	**(2,043)**
Deferred income taxes (Long-Term Liabilities)	(30,592)	**(30,653)**	**(259,771)**
	¥ 64,087	**¥110,303**	**$ 934,771**

The net changes in the total valuation allowance for the years ended March 31, 2001, 2002 and 2003 were increases of ¥246 million and ¥2,897 million and a decrease of ¥2,107 million ($17,856 thousand), respectively.

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

As of March 31, 2003, certain subsidiaries had net operating losses carried forward for income tax purposes of approximately ¥36,434 million ($308,763 thousand) which were available to reduce future income taxes, if any. Approximately ¥26,225 million ($222,246 thousand) of the operating losses expire within a five-year period while the remainder principally have an indefinite carryforward period.

9. SHORT-TERM BORROWINGS AND TRADE NOTES RECEIVABLE DISCOUNTED WITH BANKS

Short-term borrowings as of March 31, 2002 and 2003 consist of the following:

	Weighted average interest rate		Millions of yen		Thousands of U.S. dollars
	2002	**2003**	2002	**2003**	**2003**
Borrowings, principally from banks	1.3%	**1.8%**	¥103,784	**¥28,258**	**$239,474**
Commercial paper	1.5	**0.9**	57,310	**56,220**	**476,441**
			¥161,094	**¥84,478**	**$715,915**

The Company and certain of its subsidiaries enter into the contracts with financial institutions regarding lines of credit and overdrawing, and hold the issuing programs of commercial paper and medium-term notes. The unused lines of credit amounted to ¥580,785 million and ¥613,884 million ($5,202,407 thousand) as of March 31, 2002 and 2003, respectively, of which ¥194,658 million and ¥234,704 million ($1,989,017 thousand) related to commercial paper and ¥147,388 million and ¥144,280 million ($1,222,712 thousand) related to medium-term notes programs at prevailing interest rates.

10. LONG-TERM INDEBTEDNESS

Long-term indebtedness as of March 31, 2002 and 2003 consists of the following:

	Conversion price	Millions of yen		Thousands of U.S. dollars
	(Per share)	2002	**2003**	**2003**
Convertible bonds—				
0.35%, payable in yen, due March 2003	¥1,210.00	¥ 29,886	**¥ —**	**$ —**
0.4%, payable in yen, due September 2002 issued by a consolidated subsidiary	1,594.40	4,163	**—**	**—**
Total convertible bonds		34,049	**—**	**—**
Bonds—				
2.075%, straight bonds, payable in yen, due April 2005		40,000	**40,000**	**338,983**
0.87%, straight bonds, payable in yen, due March 2007		35,000	**35,000**	**296,610**
1.34%, straight bonds, payable in yen, due March 2009		25,000	**25,000**	**211,864**
0.9%, straight bonds, payable in yen, due June 2003 issued by a consolidated subsidiary		5,000	**5,000**	**42,373**
1.1%, straight bonds, payable in yen, due February 2004 issued by a consolidated subsidiary		10,000	**9,910**	**83,983**
1.17%, straight bonds, payable in yen, due June 2004 issued by a consolidated subsidiary		10,000	**10,000**	**84,746**
0.73%, straight bonds, payable in yen, due June 2006 issued by a consolidated subsidiary		10,000	**10,000**	**84,746**
0.7%, straight bonds, payable in yen, due June 2007 issued by a consolidated subsidiary		—	**10,000**	**84,746**
2.1%, straight bonds, payable in yen, due October 2009 issued by a consolidated subsidiary		10,000	**10,000**	**84,746**
Medium-term notes, 0.21% weighted average, due through 2005 issued by a consolidated subsidiary		39,162	**24,000**	**203,389**
Total bonds		184,162	**178,910**	**1,516,186**
Unsecured loans—				
Banks and insurance companies, 1.62% weighted average, due through 2011		170,537	**210,042**	**1,780,017**
Secured loans—				
Banks, insurance companies and other financial institution, 1.45% weighted average, due through 2020		4,799	**2,553**	**21,636**
Capital lease obligations (see Note 2 (j))		3,113	**4,237**	**35,907**
Total		396,660	**395,742**	**3,353,746**
SFAS No. 133 fair value adjustment		3,649	**4,395**	**37,246**
Less—Current maturities included in current liabilities		(67,314)	**(54,235)**	**(459,619)**
		¥332,995	**¥345,902**	**$2,931,373**

Secured loans are collateralized by land, buildings and lease receivables with a book value of ¥8,432 million ($71,458 thousand) as of March 31, 2003.

All bonds outstanding as of March 31, 2003 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, 2003.

Certain loan agreements provide, among other things, that the lender may request the Company to submit proposals for appropriations of earnings (including payment of dividends) to the lender for its review and approval prior to presentation to the shareholders. The Company has never been requested to submit such proposals for approval. In addition, as is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that the banks may request additional security for these loans if there is reasonable and probable cause and may treat any security furnished to the banks as well as cash deposited as security for all present and future indebtedness. The Company has never been requested to submit such additional security.

The aggregate annual maturities of long-term indebtedness subsequent to March 31, 2003 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	**¥ 54,482**	**$ 461,712**
2005	**85,966**	**728,525**
2006	**125,776**	**1,065,898**
2007	**56,027**	**474,805**
2008	**27,236**	**230,814**
2009 and thereafter	**46,255**	**391,992**
Total	**¥395,742**	**$3,353,746**

11. PENSION AND RETIREMENT ALLOWANCES PLANS

The Company and certain of its subsidiaries have various trusted contributory and noncontributory employees pension fund plans covering substantially all of their employees. Under the plans, employees are entitled to lump-sum payments at the time of termination or retirement, or to pension payments. Under the terms of the domestic employer pension fund ("EPF") plan, the government mandated welfare pension insurance benefit is included and commingled with the primary corporate benefit provided by Ricoh. The amounts of lump-sum or pension payments under the plans are generally determined on the basis of length of service and remuneration at the time of termination. These contributory and non contributory plans are funded in conformity with governmental regulations. The plan assets consist principally of interest-bearing bonds and listed equity securities.

The changes in the benefit obligation and plan assets of the defined benefit plans for the years ended March 31, 2002 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	**2003**	**2003**
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 424,176	**¥ 452,562**	**$ 3,835,271**
Service cost	15,636	**16,943**	**143,585**
Interest cost	13,693	**14,292**	**121,119**
Plan participants' contributions	1,585	**1,105**	**9,364**
Amendments	—	**(10,924)**	**(92,576)**
Actuarial loss	8,309	**64,852**	**549,593**
Settlement	(3,005)	**(2,009)**	**(17,026)**
Benefits paid	(12,558)	**(13,197)**	**(111,839)**
Foreign exchange impact	4,726	**(1,349)**	**(11,432)**
Benefit obligation at end of year	¥ 452,562	**¥ 522,275**	**$ 4,426,059**
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 274,323	**¥ 268,377**	**$ 2,274,381**
Actual return on plan assets	(11,715)	**(36,838)**	**(312,186)**
Employer contribution	12,680	**14,281**	**121,026**
Plan participants' contributions	1,585	**1,105**	**9,364**
Settlement	(2,858)	**(1,636)**	**(13,864)**
Benefits paid	(9,767)	**(9,246)**	**(78,356)**
Foreign exchange impact	4,129	**(697)**	**(5,907)**
Fair value of plan assets at end of year	¥ 268,377	**¥ 235,346**	**$ 1,994,458**
Funded status	¥(184,185)	**¥(286,929)**	**$(2,431,601)**
Unrecognized net actuarial loss	143,448	**245,632**	**2,081,627**
Unrecognized prior service cost	—	**(10,081)**	**(85,432)**
Unrecognized net asset at transition, net of amortization	(2,953)	**(2,414)**	**(20,458)**
Net amount recognized	¥ (43,690)	**¥ (53,792)**	**$ (455,864)**
Amounts recognized in the balance sheets consist of:			
Prepaid benefit cost	¥ 1,262	**¥ 61**	**$ 517**
Accrued benefit liability	(113,685)	**(207,948)**	**(1,762,271)**
Intangible assets	—	**199**	**1,687**
Accumulated other comprehensive income, gross of tax	68,733	**153,896**	**1,304,203**
Net amount recognized	¥ (43,690)	**¥ (53,792)**	**$ (455,864)**

	2002	**2003**
Weighted average assumptions		
Discount rate	3.3%	**2.6%**
Rate of increase in compensation levels	3.4%	**3.4%**
Expected long-term rate of return on plan assets	4.8%	**3.6%**

The Japanese domestic plans represented approximately 88% of the above total projected benefit obligation as of March 31, 2003. The weighted-average discount rate, rate of increase in compensation and expected long-term rate of return on plan assets of the domestic pension plans were 3.0%, 3.3% and 4.4%, respectively, for the year ended March 31, 2002 and 2.2%, 3.4% and 2.9%, respectively, for the year ended March 31, 2003.

The net periodic benefit costs of the defined benefit plans for the three years ended March 31, 2003 consisted of the following components:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Service costs	¥15,449	¥15,636	**¥16,943**	**$143,585**
Interest costs	11,706	13,693	**14,292**	**121,119**
Expected return on plan assets	(13,410)	(13,031)	**(9,763)**	**(82,737)**
Net amortization	1,123	4,707	**5,081**	**43,059**
Settlement loss	—	183	**(35)**	**(297)**
Net periodic benefit cost	¥14,868	¥21,188	**¥26,518**	**$224,729**

In accordance with the provisions of SFAS 87, Ricoh recorded an adjustment for minimum pension liability at March 31, 2002 and 2003. This liability represents the excess of the accumulated benefit obligations over the fair value of plan assets and severance costs already recognized before recording the minimum pension liability. This excess is primarily attributable to a substantial reduction in the discount rate used in pension calculation and loss on plan assets. A corresponding amount was recognized as an intangible asset to the extent of the unrecognized prior service cost, and the balance was recorded as a component of accumulated other comprehensive income (loss), net of tax.

The projected benefit obligations, accumulated benefit obligations, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were ¥335,517 million, ¥280,930 million and ¥208,712 million, respectively, as of March 31, 2002 and ¥453,956 million ($3,847,085 thousand), ¥387,481 million ($3,283,737 thousand) and ¥218,058 million ($1,847,949 thousand), respectively, as of March 31, 2003.

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

As noted above, the domestic EPF plan is composed of (1) a corporate defined benefit portion established by Ricoh and (2) a substitutional portion based on benefits prescribed by the government (similar to social security benefits in the United States). Ricoh has been exempted from contributing to the Japanese Pension Insurance ("JPI") program that would otherwise have been required if it had not elected to fund the government substitutional portion of the benefit through an EPF arrangement. The plan assets of the EPF are invested and managed as a single portfolio for the entire EPF and are not separately attributed to the substitutional and corporate portions. The substitutional portion represents approximately 39% of the total projected benefit obligation of the EPF as of March 31, 2003. In June 2001, the Japanese pension law was amended to permit an employer to elect to transfer the entire substitutional portion benefit obligation from the EPF to the government together with a specified amount of plan assets pursuant to a government formula. After such transfer, the employer would be required to make periodic contributions to JPI, and the Japanese government would be responsible for all benefit payments. The corporate portion of the EPF would continue to exist exclusively as a corporate defined benefit pension plan. In this regard, Ricoh has elected to transfer the substitutional portion of its EPF to the government. The process of separating the substitutional portion from the corporate portion includes several phases. In January 2003, Ricoh received government approval of exemption from the obligation for benefits related to future employee service with respect to the substitutional portion of its EPF and is proceeding with the remaining steps to effectuate the transfer which is presently expected to be completed by the end of calendar year 2003. Ricoh will account for the transfer in accordance with EITF 03-2 "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities." As specified in EITF 03-2, the entire separation process is to be accounted for at the time of completion of the transfer to the government of the benefit obligation and related plan assets as a settlement in accordance with SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." Accordingly, there has been no effect on Ricoh's consolidated financial statements for the fiscal year ended March 31, 2003. The aggregate effect of this separation will be determined based on the Company's total pension benefits obligation as of the date the transfer is completed and the amount of plan assets required to be transferred. Based on the Company's current estimates as to the total amount of such pension benefits obligation and the amount of plan assets required to be transferred, Ricoh's management does not presently expect that this separation will have a significant effect on Ricoh's financial condition or results of operation. However, the final amount of the impact could be significantly different depending on any change in the amounts of the pension benefit obligation or plan assets to be transferred.

12. SHAREHOLDERS' INVESTMENT

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the Company and its domestic subsidiaries be appropriated as a legal reserve. No further appropriation is required when the total amount of the legal reserve and additional paid-in capital equals 25% of common stock. Legal reserves included in retained earnings as of March 31, 2002 and 2003 were ¥16,815 million and ¥16,903 million ($143,246 thousand), respectively, and are restricted from being used as dividends.

Semiannual cash dividends are approved by the shareholders after the end of each fiscal period or are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each such fiscal or interim six-month period. At the general meeting to be held on June 26, 2003, the shareholders will be asked to approve the declaration of a cash dividend (¥7 per share) on the common stock totaling ¥5,198 million ($44,051 thousand), which will be paid to shareholders of record as of March 31, 2003. The declaration of this dividend has not been reflected in the consolidated financial statements as of March 31, 2003.

The Japanese Commercial Code provides that at least one-half of the proceeds from shares issued is included in common stock. In conformity therewith, the Company has divided the principal amount of bonds converted into common stock between common stock and additional paid-in capital.

The amount of retained earnings legally available for dividend distribution is that recorded in the Company's non-consolidated books and amounted to ¥268,687 million ($2,277,008 thousand) as of March 31, 2003.

The Japanese Commercial Code allows the Company to purchase treasury stock for any reason at any time by the resolution of the Board of Directors up to the limitation approved by the shareholders. On June 27, 2002, the shareholders of the Company approved the purchase of treasury stock up to 8 million shares for a maximum total cost of ¥20,000 million during the period up to the resolution of the subsequent Ordinary General Shareholders' Meeting, to be held on June 26, 2003. In accordance with this approval, the Company repurchased 8 million shares and retired 7 million shares during the year ended March 31, 2003. The retirement of common stock reduced retained earnings during the year ended March 31, 2003 by ¥13,328 million ($112,949 thousand).

13. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of yen		
	Before-tax amount	Tax expense	Net-of-tax amount
2001:			
Foreign currency translation adjustments	¥ (2,992)	¥ 1,252	¥ (1,740)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(3,440)	(1,842)	(5,282)
Less—Reclassification adjustment for (gains) losses realized in net income	(2,898)	1,213	(1,685)
Net unrealized gains (losses)	(6,338)	(629)	(6,967)
Minimum pension liability adjustment	(37,797)	15,818	(21,979)
Other comprehensive income (loss)	¥ (47,127)	¥ 16,441	¥ (30,686)
2002:			
Foreign currency translation adjustments	¥ 8,578	¥ (2,062)	¥ 6,516
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(4,212)	1,781	(2,431)
Less—Reclassification adjustment for (gains) losses realized in net income	2,864	(1,199)	1,665
Net unrealized gains (losses)	(1,348)	582	(766)
Unrealized losses on derivatives:			
Cumulative effect of accounting change	(3,206)	1,342	(1,864)
Unrealized holding gains (losses) arising during the year	2,061	(871)	1,190
Less—Reclassification adjustment for (gains) losses realized in net income	792	(325)	467
Net unrealized gains (losses)	(353)	146	(207)
Minimum pension liability adjustment	(27,891)	11,760	(16,131)
Other comprehensive income (loss)	¥ (21,014)	¥ 10,426	¥ (10,588)
2003:			
Foreign currency translation adjustments	**¥ 181**	**¥ 826**	**¥ 1,007**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**(5,348)**	**2,065**	**(3,283)**
Less—Reclassification adjustment for (gains) losses realized in net income	**2,234**	**(935)**	**1,299**
Net unrealized gains (losses)	**(3,114)**	**1,130**	**(1,984)**
Unrealized losses on derivatives:			
Unrealized holding gains (losses) arising during the year	**(634)**	**277**	**(357)**
Less—Reclassification adjustment for (gains) losses realized in net income	**654**	**(268)**	**386**
Net unrealized gains (losses)	**20**	**9**	**29**
Minimum pension liability adjustment	**(80,220)**	**30,811**	**(49,409)**
Other comprehensive income (loss)	**¥(83,133)**	**¥32,776**	**¥ (50,357)**

	Thousands of U.S. dollars		
	Before-tax amount	Tax expense	Net-of-tax amount
2003:			
Foreign currency translation adjustments	**$ 1,534**	**$ 7,000**	**$ 8,534**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**(45,322)**	**17,500**	**(27,822)**
Less—Reclassification adjustment for (gains) losses realized in net income	**18,932**	**(7,924)**	**11,008**
Net unrealized gains (losses)	**(26,390)**	**9,576**	**(16,814)**
Unrealized losses on derivatives:			
Unrealized holding gains (losses) arising during the year	**(5,373)**	**2,348**	**(3,025)**
Less—Reclassification adjustment for (gains) losses realized in net income	**5,542**	**(2,271)**	**3,271**
Net unrealized gains (losses)	**169**	**77**	**246**
Minimum pension liability adjustment	**(679,830)**	**261,110**	**(418,720)**
Other comprehensive income (loss)	**$(704,517)**	**$277,763**	**$(426,754)**

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

	Millions of yen				
	Foreign currency translation adjustments	Unrealized gains on securities	Unrealized losses on derivatives	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
2001:					
Beginning balance	¥ (19,801)	¥ 18,299	¥ —	¥ (1,600)	¥ (3,102)
Change during the year	(1,740)	(6,967)	—	(21,979)	(30,686)
Ending balance	¥ (21,541)	¥ 11,332	¥ —	¥ (23,579)	¥ (33,788)
2002:					
Beginning balance	¥ (21,541)	¥ 11,332	¥ —	¥ (23,579)	¥ (33,788)
Cumulative effect of accounting change	—	—	(1,864)	—	(1,864)
Change during the year	6,516	(766)	1,657	(16,131)	(8,724)
Ending balance	¥ (15,025)	¥ 10,566	¥ (207)	¥ (39,710)	¥ (44,376)
2003:					
Beginning balance	**¥ (15,025)**	**¥ 10,566**	**¥ (207)**	**¥ (39,710)**	**¥ (44,376)**
Change during the year	**1,007**	**(1,984)**	**29**	**(49,409)**	**(50,357)**
Ending balance	**¥ (14,018)**	**¥ 8,582**	**¥ (178)**	**¥ (89,119)**	**¥ (94,733)**

	Thousands of U.S. dollars				
2003:					
Beginning balance	**$(127,331)**	**$ 89,543**	**$ (1,754)**	**$(336,526)**	**$(376,068)**
Change during the year	**8,534**	**(16,814)**	**246**	**(418,720)**	**(426,754)**
Ending balance	**$(118,797)**	**$ 72,729**	**$(1,508)**	**$(755,246)**	**$(802,822)**

14. PER SHARE DATA

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

The following table sets forth the computation of basic and diluted earnings per share showing the reconciliation of the numerators and denominators used for the computation.

	Thousands of shares			
	2001	2002	**2003**	
Weighted average common shares outstanding	692,617	698,025	**726,660**	
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	1,636	997	**—**	
1.5%, payable in yen, due March 2002	33,070	28,195	**—**	
0.35%, payable in yen, due March 2003	24,703	24,699	**23,250**	
Diluted common shares outstanding	752,026	751,916	**749,910**	

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Net income applicable to common shareholders	¥53,228	¥61,614	**¥72,513**	**$614,517**
Effect of dilutive securities:				
Convertible bonds—				
1.8%, payable in yen, due March 2002	14	10	**—**	**—**
1.5%, payable in yen, due March 2002	295	258	**—**	**—**
0.35%, payable in yen, due March 2003	119	119	**86**	**729**
Other	(249)	—	**—**	**—**
Diluted net income	¥53,407	¥62,001	**¥72,599**	**$615,246**

	Yen			U.S. dollars
	2001	2002	**2003**	**2003**
Earnings per share:				
Basic	¥ 76.85	¥ 88.27	**¥ 99.79**	**$ 0.85**
Diluted	71.02	82.46	**96.81**	**0.82**

15. DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Policy

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

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

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

Foreign Exchange Risk Management

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

Interest Rate Risk Management

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

Fair Value Hedges

Changes in the fair value of derivative instruments and the related hedged items designated and qualifying as fair value hedges are included in other (income) expenses on the consolidated statements of income. There is no hedging ineffectiveness nor are net gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2002 and 2003 as the critical terms of the interest rate swap match the terms of the hedged debt obligations.

Cash Flow Hedges

Changes in the fair value of derivative instruments designated and qualifying as cash flow hedges are included in accumulated other comprehensive income (loss) on the consolidated balance sheets. These amounts are reclassified into earnings as interest on the hedged loans is paid. There is no hedging ineffectiveness nor are net gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2002 and 2003 as the critical terms of the interest rate swap match the terms of the hedged debt obligations. Ricoh expects that it will reclassify into earnings through other (income) expenses during the next 12 months approximately ¥149 million ($1,263 thousand) of the balance of accumulated other comprehensive loss as of March 31, 2003.

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 statements of income.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2003, Ricoh had outstanding contractual commitments for acquisition or construction of plant, equipment and other assets aggregating ¥2,234 million ($18,932 thousand).

As of March 31, 2003, Ricoh was also contingently liable as guarantor for employees' housing loans of ¥461 million ($3,907 thousand).

Ricoh made rental payments totaling ¥39,956 million, ¥46,426 million and ¥50,218 million ($425,576 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively, under operating lease agreements for office space and machinery and equipment, which are primarily cancelable and renewable.

As of March 31, 2003, the Company and certain of its subsidiaries were parties to litigation involving routine matters, such as patent rights. In the opinion of management, the ultimate liability, if any, resulting from such litigation will not materially affect the consolidated financial position or the results of operations of Ricoh.

17. DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Cash and cash equivalents, Time deposits, Trade receivables, Short-term borrowings, Current maturities of long-term indebtedness, Trade payables and Accrued expenses

The carrying amounts approximate fair values because of the short maturities of these instruments.

(b) Marketable securities and Investment securities

The fair value of the marketable securities and investment securities is principally based on quoted market price.

(c) 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 used for hedging purposes is estimated by obtaining quotes from brokers.

The estimated fair value of the financial instruments as of March 31, 2002 and 2003 is summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2002		**2003**		**2003**	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Marketable securities and Investment securities	¥ 51,821	¥ 51,821	**¥ 72,080**	**¥ 72,080**	**$ 610,847**	**$ 610,847**
Installment loans	48,975	49,319	**50,531**	**50,783**	**428,229**	**430,364**
Long-term indebtedness	(332,995)	(337,670)	**(345,902)**	**(351,305)**	**(2,931,373)**	**(2,977,161)**
Interest rate swap agreements, net	4,081	4,081	**3,985**	**3,985**	**33,771**	**33,771**
Foreign currency contracts, net	(8,304)	(8,304)	**(594)**	**(594)**	**(5,034)**	**(5,034)**
Foreign currency options, net	(314)	(314)	**(466)**	**(466)**	**(3,949)**	**(3,949)**

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

18. SEGMENT INFORMATION

The operating segments presented below are the segments of Ricoh for which separate financial information is available and for which a measure of profit or loss is evaluated regularly by Ricoh's management in deciding how to allocate resources and in assessing performance. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies, as discussed in Note 2.

Ricoh's operating segments are comprised of office equipment, including copiers and related supplies, communications and information systems, and others, including optical equipment and electronic devices.

The following tables present certain information regarding Ricoh's operating segments and operations by geographic areas for the three years in the period ended March 31, 2003.

(a) Operating Segment Information

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Sales—				
Office equipment	¥1,338,374	¥1,485,389	**¥1,520,574**	**$12,886,220**
Other	205,095	190,815	**220,539**	**1,868,975**
Intersegment transaction	(5,207)	(3,864)	**(2,755)**	**(23,348)**
Consolidated	¥1,538,262	¥1,672,340	**¥1,738,358**	**$14,731,847**
Operating expenses—				
Office equipment	¥1,195,834	¥1,304,079	**¥1,329,776**	**$11,269,288**
Other	191,909	187,424	**222,772**	**1,887,898**
Intersegment transaction	(5,218)	(3,893)	**(2,726)**	**(23,102)**
Unallocated expense	50,632	55,035	**54,882**	**465,102**
Consolidated	¥1,433,157	¥1,542,645	**¥1,604,704**	**$13,599,186**
Operating income—				
Office equipment	¥ 142,540	¥ 181,310	**¥ 190,798**	**$ 1,616,932**
Other	13,186	3,391	**(2,233)**	**(18,924)**
Elimination	(50,621)	(55,006)	**(54,911)**	**(465,347)**
Consolidated	¥ 105,105	¥ 129,695	**¥ 133,654**	**$ 1,132,661**
Other expenses	¥ (7,340)	¥ (15,745)	**¥ (10,184)**	**$ (86,305)**
Income before income taxes, minority interests and equity in earnings of affiliates	¥ 97,765	¥ 113,950	**¥ 123,470**	**$ 1,046,356**

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Total assets—				
Office equipment	¥1,179,499	¥1,219,723	**¥1,198,706**	**$10,158,525**
Other	180,164	185,158	**176,296**	**1,494,034**
Elimination	(9,116)	(6,991)	**(6,908)**	**(58,542)**
Corporate assets	354,244	435,038	**516,828**	**4,379,898**
Consolidated	¥1,704,791	¥1,832,928	**¥1,884,922**	**$15,973,915**
Expenditure for segment assets—				
Office equipment	¥ 61,836	¥ 68,513	**¥ 65,720**	**$ 556,949**
Other	10,235	5,633	**7,213**	**61,127**
Corporate assets	1,258	1,530	**1,023**	**8,670**
Consolidated	¥ 73,329	¥ 75,676	**¥ 73,956**	**$ 626,746**
Depreciation—				
Office equipment	¥ 52,908	¥ 64,426	**¥ 60,687**	**$ 514,297**
Other	7,598	7,448	**6,917**	**58,619**
Corporate assets	1,636	1,908	**1,954**	**16,559**
Consolidated	¥ 62,142	¥ 73,782	**¥ 69,558**	**$ 589,475**

Unallocated expense represents expenses for corporate headquarters.

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

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

(b) Geographic Information

Sales which are attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2001, 2002 and 2003 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Sales—				
Japan	¥ 930,433	¥ 902,655	**¥ 896,022**	**$ 7,593,407**
The Americas	252,698	341,747	**343,940**	**2,914,746**
Europe	247,449	311,312	**354,477**	**3,004,042**
Other	107,682	116,626	**143,919**	**1,219,652**
Consolidated	¥1,538,262	¥1,672,340	**¥1,738,358**	**$14,731,847**
Long-lived assets—				
Japan	¥ 244,506	¥ 257,752	**¥ 251,214**	**$ 2,128,932**
The Americas	70,809	77,269	**71,850**	**608,898**
Europe	37,557	38,320	**34,062**	**288,661**
Other	12,694	12,897	**11,742**	**99,509**
Consolidated	¥ 365,566	¥ 386,238	**¥ 368,868**	**$ 3,126,000**

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

(c) Additional Information

The following information shows net sales and operating income recognized by geographic origin for the years ended March 31, 2001, 2002 and 2003. 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
	2001	2002	**2003**	**2003**
Sales—				
Japan				
External customers	¥ 954,125	¥ 938,946	**¥ 954,310**	**$ 8,087,373**
Intersegment	279,802	309,745	**320,596**	**2,716,915**
Total	1,233,927	1,248,691	**1,274,906**	**10,804,288**
The Americas				
External customers	252,029	338,016	**333,935**	**2,829,958**
Intersegment	4,470	8,937	**5,620**	**47,627**
Total	256,499	346,953	**339,555**	**2,877,585**
Europe				
External customers	254,548	309,086	**352,943**	**2,991,042**
Intersegment	3,246	4,265	**3,019**	**25,585**
Total	257,794	313,351	**355,962**	**3,016,627**
Other				
External customers	77,560	86,292	**97,170**	**823,474**
Intersegment	39,571	60,655	**72,664**	**615,797**
Total	117,131	146,947	**169,834**	**1,439,271**
Elimination of intersegment sales	(327,089)	(383,602)	**(401,899)**	**(3,405,924)**
Consolidated	¥1,538,262	¥1,672,340	**¥1,738,358**	**$14,731,847**
Operating expenses—				
Japan	¥1,150,353	¥1,142,522	**¥1,188,760**	**$ 10,074,237**
The Americas	247,521	335,521	**325,228**	**2,756,169**
Europe	246,498	301,152	**337,693**	**2,861,805**
Other	110,937	139,874	**159,864**	**1,354,780**
Elimination of intersegment sales	(322,152)	(376,424)	**(406,841)**	**(3,447,805)**
Consolidated	¥1,433,157	¥1,542,645	**¥1,604,704**	**$13,599,186**
Operating income—				
Japan	¥ 83,574	¥ 106,169	**¥ 86,146**	**$ 730,051**
The Americas	8,978	11,432	**14,327**	**121,415**
Europe	11,296	12,199	**18,269**	**154,822**
Other	6,194	7,073	**9,970**	**84,492**
Elimination of intersegment profit	(4,937)	(7,178)	**4,942**	**41,881**
Consolidated	¥ 105,105	¥ 129,695	**¥ 133,654**	**$ 1,132,661**
Other expenses	¥ (7,340)	¥ (15,745)	**¥ (10,184)**	**$ (86,305)**
Income before income taxes, minority interests and equity in earnings of affiliates	¥ 97,765	¥ 113,950	**¥ 123,470**	**$ 1,046,356**
Total assets—				
Japan	¥1,042,557	¥1,084,387	**¥1,064,857**	**$ 9,024,212**
The Americas	209,638	228,743	**201,359**	**1,706,432**
Europe	163,542	172,408	**174,541**	**1,479,161**
Other	63,438	61,549	**70,458**	**597,102**
Elimination	(128,628)	(149,197)	**(143,121)**	**(1,212,890)**
Corporate assets	354,244	435,038	**516,828**	**4,379,898**
Consolidated	¥1,704,791	¥1,832,928	**¥1,884,922**	**$15,973,915**

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 March 31, 2000, 2001 and 2002.

19. SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME

The following amounts were charged to selling, general and administrative expenses for the years ended March 31, 2001, 2002 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	**2003**	**2003**
Research and development costs	¥78,239	¥80,799	**¥83,551**	**$708,059**
Advertising costs	18,592	16,868	**16,958**	**143,712**
Shipping and handling costs	11,123	13,332	**12,582**	**106,627**

20. SUBSEQUENT EVENTS

On December 17, 2002, the Company entered into a definitive share exchange agreement with Tohoku Ricoh Co., Ltd (Tohoku Ricoh), a domestic subsidiary of the Company, in order to convert Tohoku Ricoh into a wholly owned subsidiary. Under the terms of the agreement, 0.345 of one share of the Company's common stock was granted in exchange for each share of Tohoku Ricoh's common stock.

The Company completed the share exchange on April 1, 2003, using 2,239,533 shares of treasury stock it held as of March 31, 2003, with a cost value of ¥4,264 million ($36,136 thousand).

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Ricoh Company, Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2003, 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, 2003, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ricoh Company, Ltd. and subsidiaries as of March 31, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its policy concerning which short-term investments are treated as cash equivalents.

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

The accompanying consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements, expressed in yen, have been translated into dollars on the basis set forth in Note 2 to the consolidated financial statements.

KPMG

Tokyo, Japan
April 30, 2003