

Ricoh Company, Ltd.

Condensed Consolidated Financial Statements
for the Nine Months Ended December 31, 2014

This is an English translation of the Quarterly Securities Report (Shihanki Hokokusho) for the nine months ended December 31, 2014 pursuant to the Japanese Financial Instrument and Exchange Law.

Condensed Consolidated Statement of Financial Position

Ricoh Company, Ltd. and Consolidated Subsidiaries

ASSETS	Millions of Yen	
	As of March 31, 2014	As of December 31, 2014
Current assets:		
Cash and cash equivalents	140,047	136,529
Time deposits	4,057	3,696
Trade and other receivables	544,725	555,512
Other financial assets	249,682	256,200
Inventories	194,171	240,512
Other current assets	34,317	41,562
Total current assets	1,166,999	1,234,011
Non-current assets:		
Property, plant and equipment	270,702	277,778
Goodwill and intangible assets	399,354	444,668
Other financial assets	560,892	588,888
Investments accounted for using the equity method	1,074	483
Other investments	50,724	51,068
Other non-current assets	40,420	44,923
Deferred tax assets	106,453	107,024
Total non-current assets	1,429,619	1,514,832
Total assets	2,596,618	2,748,843

LIABILITIES AND EQUITY	Millions of Yen	
	As of March 31, 2014	As of December 31, 2014
Current liabilities:		
Bonds and borrowings (Note 6)	271,768	307,965
Trade and other payables	281,957	249,256
Other financial liabilities	18,140	4,945
Income tax payables	14,435	12,026
Other current liabilities (Note 7)	249,391	256,606
Total current liabilities	835,691	830,798
Non-current liabilities:		
Bonds and borrowings (Note 6)	452,396	511,932
Other financial liabilities	1,014	1,457
Accrued pension and retirement benefits	124,554	134,668
Other non-current liabilities	74,614	82,369
Deferred tax liabilities	13,953	8,964
Total non-current liabilities	666,531	739,390
Total liabilities	1,502,222	1,570,188
Equity:		
Common stock	135,364	135,364
Additional paid-in capital	186,083	186,083
Treasury stock	(37,278)	(37,291)
Other components of equity	119,904	182,223
Retained earnings	625,340	642,927
Equity attributable to owners of the parent	1,029,413	1,109,306
Non-controlling interests	64,983	69,349
Total equity	1,094,396	1,178,655
Total liabilities and equity	2,596,618	2,748,843

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

Condensed Consolidated Statement of Profit or Loss

Ricoh Company, Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2013 and 2014

	Millions of Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Sales: (Note 4)		
Products	737,166	773,738
Post sales and rentals	780,964	786,805
Other revenue	63,967	69,272
Total sales	1,582,097	1,629,815
Cost of sales:		
Products	(542,409)	(556,343)
Post sales and rentals	(362,154)	(352,963)
Other revenue	(36,768)	(41,326)
Total cost of sales	(941,331)	(950,632)
Gross profit	640,766	679,183
Selling, general and administrative expenses (Note 10)	(562,365)	(593,094)
Operating profit	78,401	86,089
Finance income	4,313	4,492
Finance costs	(6,777)	(5,630)
Share of loss of investments accounted for using the equity method	(29)	(69)
Profit before income tax expenses	75,908	84,882
Income tax expenses	(28,371)	(27,992)
Profit for the period	47,537	56,890
Profit attributable to:		
Owners of the parent	43,415	52,351
Non-controlling interests	4,122	4,539

	Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Earnings per share attributable to owners of the parent: (Note 11)		
Basic	59.88	72.22
Diluted	-	-

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

Three months ended December 31, 2013 and 2014

	Millions of Yen	
	Three months ended December 31, 2013	Three months ended December 31, 2014
Sales: (Note 4)		
Products	254,929	262,848
Post sales and rentals	266,237	270,994
Other revenue	21,686	23,185
Total sales	542,852	557,027
Cost of sales:		
Products	(183,085)	(188,781)
Post sales and rentals	(126,634)	(121,781)
Other revenue	(12,429)	(13,738)
Total cost of sales	(322,148)	(324,300)
Gross profit	220,704	232,727
Selling, general and administrative expenses (Note 10)	(194,236)	(202,506)
Operating profit	26,468	30,221
Finance income	451	1,015
Finance costs	(1,174)	(1,906)
Share of profit (loss) of investments accounted for using the equity method	6	(37)
Profit before income tax expenses	25,751	29,293
Income tax expenses	(9,114)	(9,245)
Profit for the period	16,637	20,048
Profit attributable to:		
Owners of the parent	15,323	18,372
Non-controlling interests	1,314	1,676

	Yen	
	Three months ended December 31, 2013	Three months ended December 31, 2014
Earnings per share attributable to owners of the parent: (Note 11)		
Basic	21.14	25.34
Diluted	-	-

The accompanying notes are an integral part of these condensed consolidated financial statement

Condensed Consolidated Statement of Comprehensive Income

Ricoh Company, Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2013 and 2014

	Millions of Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Profit for the period	47,537	56,890
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	4,355	(10,478)
Total components that will not be reclassified subsequently to profit or loss	4,355	(10,478)
Components that will be reclassified subsequently to profit or loss:		
Net gain (loss) on fair value of available-for-sale financial assets	7,260	(64)
Net gain on fair value of cash flow hedges	889	1,595
Exchange differences on translation of foreign operations	69,646	61,339
Total components that will be reclassified subsequently to profit or loss	77,795	62,870
Total other comprehensive income	82,150	52,392
Comprehensive income	129,687	109,282
Comprehensive income attributable to:		
Owners of the parent	125,484	104,192
Non-controlling interests	4,203	5,090

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

Three months ended December 31, 2013 and 2014

	Millions of Yen	
	Three months ended December 31, 2013	Three months ended December 31, 2014
Profit for the period	16,637	20,048
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	1,055	(10,478)
Total components that will not be reclassified subsequently to profit or loss	1,055	(10,478)
Components that will be reclassified subsequently to profit or loss:		
Net gain on fair value of available-for-sale financial assets	4,491	1,149
Net gain on fair value of cash flow hedges	384	939
Exchange differences on translation of foreign operations	43,097	47,709
Total components that will be reclassified subsequently to profit or loss	47,972	49,797
Total other comprehensive income	49,027	39,319
Comprehensive income	65,664	59,367
Comprehensive income attributable to:		
Owners of the parent	64,110	57,224
Non-controlling interests	1,554	2,143

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

Condensed Consolidated Statement of Changes in Equity

Ricoh Company, Ltd. and Consolidated Subsidiaries

(Millions of Yen)

	Common Stock	Additional paid-in capital	Treasury stock	Other components of equity		
				Remeasurement of defined benefit plan	Net gain(loss) on fair value of available-for-sale financial assets	Net gain(loss) on fair value of cash flow hedges
Balance as of April 1, 2013	135,364	186,083	(37,146)	-	9,989	(861)
Profit for the period						
Other comprehensive income				4,447	7,210	586
Comprehensive income:	-	-	-	4,447	7,210	586
Net change in treasury stock			(120)			
Dividends declared and approved to owners (Note 8)						
Transfer from other components of equity to retained earnings				(4,447)		
Total transactions with owners	-	-	(120)	(4,447)	-	-
Balance as of December 31, 2013	135,364	186,083	(37,266)	-	17,199	(275)

	Other components of equity		Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total other components of equity				
Balance as of April 1, 2013	49,486	58,614	570,790	913,705	60,297	974,002
Profit for the period			43,415	43,415	4,122	47,537
Other comprehensive income	69,826	82,069		82,069	81	82,150
Comprehensive income:	69,826	82,069	43,415	125,484	4,203	129,687
Net change in treasury stock			(3)	(123)		(123)
Dividends declared and approved to owners (Note 8)			(23,925)	(23,925)	(674)	(24,599)
Transfer from other components of equity to retained earnings		(4,447)	4,447	-		-
Total transactions with owners	-	(4,447)	(19,481)	(24,048)	(674)	(24,722)
Balance as of December 31, 2013	119,312	136,236	594,724	1,015,141	63,826	1,078,967

(Millions of Yen)

	Common Stock	Additional paid-in capital	Treasury stock	Other components of equity		
				Remeasurement of defined benefit plan	Net gain(loss) on fair value of available-for-sale financial assets	Net gain(loss) on fair value of cash flow hedges
Balance as of April 1, 2014	135,364	186,083	(37,278)	-	11,848	(221)
Profit for the period						
Other comprehensive income(loss)				(10,478)	(64)	889
Comprehensive income:	-	-	-	(10,478)	(64)	889
Net change in treasury stock			(13)			
Dividends declared and approved to owners (Note 8)						
Transfer from other components of equity to retained earnings				10,478		
Total transactions with owners	-	-	(13)	10,478	-	-
Balance as of December 31, 2014	135,364	186,083	(37,291)	-	11,784	668

	Other components of equity		Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total other components of equity				
Balance as of April 1, 2014	108,277	119,904	625,340	1,029,413	64,983	1,094,396
Profit for the period			52,351	52,351	4,539	56,890
Other comprehensive income(loss)	61,494	51,841		51,841	551	52,392
Comprehensive income:	61,494	51,841	52,351	104,192	5,090	109,282
Net change in treasury stock			(1)	(14)		(14)
Dividends declared and approved to owners (Note 8)			(24,285)	(24,285)	(724)	(25,009)
Transfer from other components of equity to retained earnings		10,478	(10,478)	-		-
Total transactions with owners	-	10,478	(34,764)	(24,299)	(724)	(25,023)
Balance as of December 31, 2014	169,771	182,223	642,927	1,109,306	69,349	1,178,655

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

Condensed Consolidated Statement of Cash Flows

Ricoh Company, Ltd. and Consolidated Subsidiaries

	Millions of Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	47,537	56,890
Adjustments to reconcile profit for the period to net cash provided by operating activities -		
Depreciation and amortization	79,956	80,877
Share of loss of investments accounted for using the equity method	29	69
Finance income and costs	2,464	1,138
Income tax expenses	28,371	27,992
Decrease (increase) in trade and other receivables	(7,822)	15,914
Increase in inventories	(14,592)	(29,208)
Increase in lease receivables	(35,323)	(18,699)
Decrease in trade and other payables	(7,025)	(41,768)
Decrease in accrued pension and retirement benefits	(31,085)	(13,821)
Other, net	7,045	(16,781)
Interest and dividends received	1,548	1,877
Interest paid	(4,511)	(4,977)
Income taxes paid	(19,402)	(23,818)
Net cash provided by operating activities	47,190	35,685
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	530	1,208
Expenditures for property, plant and equipment	(51,385)	(54,938)
Expenditures for intangible assets	(25,384)	(25,716)
Payments for purchases of available-for-sale securities	(62)	(93)
Proceeds from sales of available-for-sale securities	7,153	158
Decrease in time deposits	34	990
Purchase of business, net of cash acquired	(566)	(8,499)
Other, net	(4,262)	(23,720)
Net cash used in investing activities	(73,942)	(110,610)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (repayments) of short-term debt	24,815	1,480
Proceeds from long-term debt	103,645	185,438
Repayments of long-term debt	(78,327)	(87,396)
Proceeds from issuance of bonds (Note 6)	20,000	20,000
Repayments of bonds (Note 6)	(1,826)	(35,000)
Dividends paid (Note 8)	(23,925)	(24,285)
Payments for purchase of treasury stock	(109)	(15)
Other, net	(671)	(701)
Net cash provided by financing activities	43,602	59,521
IV. EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	10,225	11,886
V. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,075	(3,518)
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	117,051	140,047
VII. CASH AND CASH EQUIVALENTS AT END OF PERIOD	144,126	136,529

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

Notes to Condensed Consolidated Financial Statements

Ricoh Company, Ltd. and Consolidated Subsidiaries

1. REPORTING ENTITY

Ricoh Co., Ltd. (the “Company”) is a company domiciled in Japan. The condensed consolidated financial statements of the Company as of and for the period ended December 31, 2014 comprise of the Company and its subsidiaries (the “Ricoh” as a consolidated group) and Ricoh's interest in associates. Ricoh's operating segments are composed of Imaging & Solutions, including MFPs & copiers, related parts & supplies, communications & information systems and services & solutions, Industrial Products, including thermal media and semiconductors, and Other, including digital cameras (see Note 4 “Operating Segment”).

2. BASIS OF PREPARATION

(1) Statements of Compliance

The condensed consolidated financial statements meets the requirements set out under Article 1-2, Paragraph 1, Item 2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Rules on Quarterly Consolidated Financial Statements”) under which the Company is qualified as a “specified company” and duly prepares such summary in accordance with IAS 34 “Interim Financial Reporting”, under the provisions of Article 93 of the Rules on Quarterly Consolidated Financial Statements. As the condensed consolidated financial statements do not contain all the information required in annual consolidated financial statements, it should be read in combination with the consolidated financial statements for the fiscal year ended March 31, 2014, prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The condensed consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. All amounts presented in Japanese yen have been rounded to the nearest million.

(2) Use of Estimates and Judgments

The preparation of condensed consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which the revision affects.

Estimates and judgments that have significant impact on the amounts in the condensed consolidated financial statements for the nine months ended December 31, 2014 remain the same as those that had significant impact on the amounts in the consolidated financial statements for the previous fiscal year.

3. SIGNIFICANT ACCOUNTING POLICIES

Ricoh did not change the significant accounting policies from the previous fiscal year, with the exception of the following.

The adoption of the following IFRSs has no material impact on Ricoh's condensed consolidated financial statements. Some of the comparative information on Ricoh's condensed consolidated financial statements has been adjusted retrospectively to apply the change in accounting policy.

IFRSs	Title	Summaries of new IFRSs/amendments
IAS 32	Financial Instruments: Disclosure and Presentation	Presentation of offsets of financial assets and financial liabilities
IAS 36	Impairment of Assets	Disclosure of recoverable amounts for non-financial assets
IAS 39	Financial Instruments: Recognition and Measurement	Continuing hedge accounting after derivative novations
IFRIC 21	Levies	Recognition of liabilities related to levies
IFRS 10	Consolidated Financial Statements	Regulations of control as single basis for consolidation
IFRS 12	Disclosure of Interests in Other Entities	Disclosure requirements for forms of interests in other entities, including subsidiaries, joint control arrangements, associates and unconsolidated structured entities

4. OPERATING SEGMENTS

Ricoh's operating segments are comprised of Imaging & Solutions, including MFPs & copiers, related parts & supplies, communications & information systems and services & solutions, Industrial Products, including thermal media and semiconductors, and Other, including digital cameras.

Segment profit (loss) is determined by subtracting "cost of sales" and "selling, general and administrative expenses" from "sales", and is used by Ricoh's chief operating decision maker in deciding how to allocate resources and in assessing performance. Segment profit (loss) excludes certain corporate expenses, such as costs related to human resources, legal relations, investor relations, public relations, corporate planning and environmental activities.

The following tables present certain information regarding Ricoh's operating segments and geographic areas for the nine months and three months ended December 31, 2013 and 2014. Intersegment sales are made at arm's-length prices. No single customer accounted for 10% or more of the total sales for the nine months and three months ended December 31, 2013 and 2014.

(a) Operating Segment Information

Nine months ended December 31, 2013 and 2014

	Millions of Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Segment sales:		
Imaging & Solutions	1,409,622	1,452,417
Industrial Products	91,155	98,000
Other	90,106	89,440
Intersegment sales	(8,786)	(10,042)
Total segment sales	1,582,097	1,629,815
Segment profit (loss):		
Imaging & Solutions	126,279	125,717
Industrial Products	3,136	4,428
Other	(364)	1
Total segment profit	129,051	130,146
Reconciling items:		
Corporate expenses and elimination	(50,650)	(44,057)
Finance income	4,313	4,492
Finance costs	(6,777)	(5,630)
Share of profit(loss) of investments accounted for using equity method	(29)	(69)
Profit before income tax expenses	75,908	84,882

Three months ended December 31, 2013 and 2014

	Millions of Yen	
	Three months ended December 31, 2013	Three months ended December 31, 2014
Segment sales:		
Imaging & Solutions	485,590	497,319
Industrial Products	31,323	34,513
Other	28,819	28,824
Intersegment sales	(2,880)	(3,629)
Total segment sales	542,852	557,027
Segment profit (loss):		
Imaging & Solutions	40,904	44,103
Industrial Products	1,255	2,371
Other	152	(167)
Total segment profit	42,311	46,307
Reconciling items:		
Corporate expenses and elimination	(15,843)	(16,086)
Finance income	451	1,015
Finance costs	(1,174)	(1,906)
Share of profit(loss) of investments accounted for using equity method	6	(37)
Profit before income tax expenses	25,751	29,293

Intersegment sales represent sales of Industrial Products segment to Imaging & Solutions segment.

(b) Geographic Information

Sales based on the location of customers are as follows:

Nine months ended December 31, 2013 and 2014

	Millions of Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Sales:		
Japan	636,766	610,910
The Americas	432,157	473,306
Europe, Middle East and Africa	376,689	391,428
Other	136,485	154,171
Consolidated	1,582,097	1,629,815

Three months ended December 31, 2013 and 2014

	Millions of Yen	
	Three months ended December 31, 2013	Three months ended December 31, 2014
Sales:		
Japan	215,761	196,007
The Americas	146,588	169,073
Europe, Middle East and Africa	134,988	136,981
Other	45,515	54,966
Consolidated	542,852	557,027

* The compilation method has been changed from this fiscal year such as reclassification of certain products from Imaging & Solutions to Industrial Products. Prior year comparative figures have been also reclassified to conform to the current year's presentation.

* The compilation method has been changed from this quarter such as reorganization of Industrial Products segment. Prior year comparative figures have also been reclassified to conform to the current year's presentation.

5. ACQUISITIONS OF SUBSIDIARIES

On February 1, 2014, Ricoh acquired mindSHIFT Technologies, Inc., which operates IT service business, through the Company's wholly owned U.S. holding subsidiary, Ricoh Americas Holdings Inc., for a total cash consideration of ¥16,842 million, including transaction costs.

During the three months ended December 31, 2014, the allocation of the acquisition cost to the assets acquired and the liabilities assumed was completed, however, there are no material changes from the provisional allocation on the condensed consolidated financial statements.

6. BONDS

During the nine months ended December 31, 2013, there were issuances of straight bonds of ¥10,000 million (0.15% per annum, due July 2016) and ¥10,000 million (0.47% per annum, due July 2018). No material repayment of bonds was noted in the same period.

During the nine months ended December 31, 2014, there were issuances of straight bonds of ¥10,000 million (0.15% per annum, due July 2017) and ¥10,000 million (0.27% per annum, due July 2019). There were also repayments of straight bonds of ¥35,000 million (1.47% per annum, due April 2014) in the same period.

7. PROVISIONS

Other provisions decreased by ¥7,600 million as compared to March 31, 2014 primarily due to the settlement of litigation.

8. DIVIDENDS

Dividends paid during the nine months ended December 31, 2013 and 2014 are as follows:

Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Source of dividends
		(Millions of Yen)	(Yen)			
Ordinary general meeting of shareholders held on June 21, 2013	Ordinary shares	11,963	16.5	March 31, 2013	June 24, 2013	Retained earnings
Board of Directors' meeting held on October 31, 2013	Ordinary shares	11,962	16.5	September 30, 2013	December 2, 2013	Retained earnings
Ordinary general meeting of shareholders held on June 20, 2014	Ordinary shares	11,961	16.5	March 31, 2014	June 23, 2014	Retained earnings
Board of Directors' meeting held on October 27, 2014	Ordinary shares	12,323	17.0	September 30, 2014	December 1, 2014	Retained earnings

9. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments by type

Carrying amounts and fair values of the major financial instruments are as follows:

	Millions of Yen			
	As of March 31, 2014		As of December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair Value
Assets:				
Trade receivables	60,244	62,203	66,340	68,497
Lease receivables	710,728	730,730	741,259	762,567
Installment loans	97,884	98,697	99,522	100,348
Derivative assets	1,962	1,962	4,307	4,307
Securities	48,856	48,856	49,019	49,019
Bonds	1,868	1,868	2,049	2,049
Total	921,542	944,316	962,496	986,787
Liabilities:				
Derivative liabilities	(17,939)	(17,939)	(5,763)	(5,763)
Loans and borrowings	(452,396)	(450,372)	(511,932)	(509,055)
Lease liabilities	(1,215)	(1,214)	(639)	(639)
Total	(471,550)	(469,525)	(518,334)	(515,457)

Note:

(i) Cash and cash equivalents, time deposits, and trade and other payables

These financial instruments are not included in the table above, as the carrying amounts approximate fair values due to the relatively short term nature.

(ii) Trade and other receivables

The receivables settled in a short period of trade and other receivables are not included in the table above, as the carrying amounts approximate fair values due to the short maturities of these instruments.

Fair value of the receivables expected to be recovered or settled after more than twelve months, per each receivable classified per certain business types, are calculated based on present value of such receivable discounted by the interest rate, which takes into account the period to maturity and the credit risk.

Trade and other receivables using inputs described above are classified as Level 2 under the fair value measurement and disclosure framework.

(iii) Lease receivables and installment loans

Fair value of lease receivables and installment loans, per each receivable classified per certain period, are calculated based on present value of such receivable discounted by the interest rate, which takes into account the period to maturity and the credit risk. Lease receivables and installment loans using inputs described above are classified as Level 2 under the fair value measurement and disclosure framework.

(iv) Derivatives

Derivative instruments consist of foreign currency contracts, currency swap agreements, foreign currency options and interest rate swap agreements. Fair values of these instruments are mainly measured by obtaining quotes from brokers.

(v) Securities and bonds

Securities and bonds include mainly marketable securities, bonds and unlisted securities. Marketable securities and bonds are held at fair value using quoted prices in an active market. The fair value of unlisted securities is measured using the comparable companies' analysis or other reasonable valuation methods.

(vi) Loans, borrowings and lease liabilities

Loans and borrowings expected to be settled in less than twelve months are not included in the table above, as the carrying amounts approximate fair values due to the short maturities of these instruments.

Fair value of loans, borrowings and lease liabilities are calculated from estimated present value using year-end borrowing rates derived from future cash flows, on a per-loan basis, as well as calculated based on market prices. Loans, borrowings and lease liabilities using inputs described above are classified as Level 2 under the fair value measurement and disclosure framework.

(2) Fair value hierarchy applied in condensed consolidated statement of financial position

The fair value hierarchy of financial instruments is categorized as follows from Level 1 to Level 3:

Level 1: Quoted prices in active markets with respect to identical assets or liabilities

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly

Level 3: Inputs not based on observable market data

The following tables present the fair value hierarchy of financial assets and liabilities that are measured at the fair values in the condensed consolidated statement of financial position.

	Millions of Yen			
	As of March 31, 2014			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	1,962	-	1,962
Securities	46,878	-	1,978	48,856
Bonds	1,868	-	-	1,868
Total assets	48,746	1,962	1,978	52,686
Derivative liabilities	-	17,939	-	17,939
Total liabilities	-	17,939	-	17,939

	Millions of Yen			
	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	4,307	-	4,307
Securities	47,071	-	1,948	49,019
Bonds	2,049	-	-	2,049
Total assets	49,120	4,307	1,948	55,375
Derivative liabilities	-	5,763	-	5,763
Total liabilities	-	5,763	-	5,763

Note:

(i) Derivative instruments consist of foreign currency contracts, currency swap agreements, foreign currency options and interest rate swap agreements (including interest rate and currency swap agreements). These derivative instruments are classified as Level 2 in the fair value hierarchy, since they are valued using observable market data such as LIBOR-based yield curves.

(ii) Securities and bonds are classified as Level 1 in the fair value hierarchy contains marketable equity securities and bonds. Marketable equity securities and bonds are valued using a market approach based on the quoted market prices of identical instruments in active markets. As for unlisted securities, Ricoh determines the fair value based on an approach using observable inputs such as the comparable company's share prices and unobservable inputs, and therefore unlisted securities are classified as Level 3.

There were no significant changes in the nature of Level 3 securities during the period.

10. SUPPLEMENTARY INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following amounts were charged to selling, general and administrative expenses for the nine months and three months ended December 31, 2013 and 2014:

	Millions of Yen	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Research and development expenses	69,009	71,609
Shipping and handling costs	19,588	20,970
Advertising costs	9,431	8,770

	Millions of Yen	
	Three months ended December 31, 2013	Three months ended December 31, 2014
Research and development expenses	23,029	23,878
Shipping and handling costs	6,653	7,176
Advertising costs	3,291	3,504

11. EARNINGS PER SHARE

Earnings per share are as follows.

Diluted net income per share for the nine months and three months ended December 31, 2013 and 2014 is omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Profit attributable to owners of the parent (millions of yen)	43,415	52,351
Weighted average number of issued and outstanding shares (thousands of shares)	725,000	724,909
Earnings per share attributable to owners of the parent-basic (yen)	59.88	72.22

	Three months ended December 31, 2013	Three months ended December 31, 2014
Profit attributable to owners of the parent (millions of yen)	15,323	18,372
Weighted average number of issued and outstanding shares (thousands of shares)	724,997	724,906
Earnings per share attributable to owners of the parent-basic (yen)	21.14	25.34

12. CAPITAL COMMITMENTS AND CONTINGENCIES

As of March 31, 2014 and December 31, 2014, Ricoh had outstanding contractual commitments for acquisition or construction of property, plant and equipment and other assets aggregating ¥42,699 million and ¥30,886 million.

As of March 31, 2014 and December 31, 2014, there were no significant contingent liabilities.

As of December 31, 2014, the Company and certain 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 financial position or the results of operations of Ricoh.

13. SUBSEQUENT EVENTS

There are no material subsequent events.

14. AUTHORIZATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were authorized for issue by Zenji Miura, Representative Director, President and Chief Executive Officer, and Daisuke Segawa, Corporate Senior Vice President and Corporate Financial Executive, on February 13, 2015.