

Ricoh Company, Ltd.

Condensed Consolidated Financial Statements
for the Half Year Ended September 30, 2016

This is an English translation of the Quarterly Securities Report (Shihanki Hokokusho) for the half year ended September 30, 2016 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, 2016	As of September 30, 2016
Current assets:		
Cash and cash equivalents	167,547	184,238
Time deposits	973	623
Trade and other receivables	564,204	510,345
Other financial assets	272,347	268,935
Inventories	207,092	206,803
Other current assets	61,032	53,250
Total current assets	1,273,195	1,224,194
Non-current assets:		
Property, plant and equipment	276,551	267,622
Goodwill and intangible assets	413,836	307,104
Other financial assets	620,171	618,787
Investments accounted for using the equity method	935	971
Other investments	67,084	66,217
Other non-current assets	38,905	37,335
Deferred tax assets	85,784	89,207
Total non-current assets	1,503,266	1,454,243
Total assets	2,776,461	2,678,437

LIABILITIES AND EQUITY	Millions of Yen	
	As of March 31, 2016	As of September 30, 2016
Current liabilities:		
Bonds and borrowings (Note 5)	260,755	286,664
Trade and other payables	286,123	266,261
Other financial liabilities	1,820	1,045
Income tax payables	15,220	13,986
Other current liabilities	242,950	214,744
Total current liabilities	806,868	782,700
Non-current liabilities:		
Bonds and borrowings (Note 5)	592,045	619,196
Other financial liabilities	3,745	3,552
Accrued pension and retirement benefits	139,049	125,970
Other non-current liabilities	82,392	82,802
Deferred tax liabilities	4,598	3,936
Total non-current liabilities	821,829	835,456
Total liabilities	1,628,697	1,618,156
Equity:		
Common stock	135,364	135,364
Additional paid-in capital	186,423	186,423
Treasury stock	(37,312)	(37,314)
Other components of equity	114,914	33,282
Retained earnings	678,424	670,588
Total equity attributable to owners of the parent	1,077,813	988,343
Non-controlling interests	69,951	71,938
Total equity	1,147,764	1,060,281
Total liabilities and equity	2,776,461	2,678,437

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

Half year ended September 30, 2015 and 2016

	Millions of Yen	
	Half year ended September 30, 2015	Half year ended September 30, 2016
Sales: (Note 4)		
Products	500,131	437,376
Post sales and rentals	547,067	485,537
Other revenue	47,980	48,530
Total sales	1,095,178	971,443
Cost of sales:		
Products	(367,384)	(330,644)
Post sales and rentals	(253,884)	(226,560)
Other revenue	(27,174)	(27,014)
Total cost of sales	(648,442)	(584,218)
Gross profit	446,736	387,225
Selling, general and administrative expenses (Note 8)	(408,161)	(372,294)
Other income	17,543	1,619
Operating profit	56,118	16,550
Finance income	3,431	3,450
Finance costs	(6,035)	(4,757)
Share of profit (loss) of investments accounted for using the equity method	48	51
Profit before income tax expenses	53,562	15,294
Income tax expenses	(16,185)	(7,301)
Profit for the period	37,377	7,993
Profit attributable to:		
Owners of the parent	34,543	5,002
Non-controlling interests	2,834	2,991

	Yen	
	Half year ended September 30, 2015	Half year ended September 30, 2016
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	47.65	6.90
Diluted	-	-

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

* Gain on sales of property, plant and equipment and others are included in “other income”.

Three months ended September 30, 2015 and 2016

	Millions of Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Sales: (Note 4)		
Products	255,883	221,548
Post sales and rentals	275,204	237,784
Other revenue	24,916	24,405
Total sales	556,003	483,737
Cost of sales:		
Products	(191,347)	(169,313)
Post sales and rentals	(128,456)	(112,560)
Other revenue	(14,302)	(13,477)
Total cost of sales	(334,105)	(295,350)
Gross profit	221,898	188,387
Selling, general and administrative expenses (Note 8)	(203,377)	(183,623)
Other income	16,924	916
Operating profit	35,445	5,680
Finance income	2,785	1,645
Finance costs	(4,156)	(2,476)
Share of profit (loss) of investments accounted for using the equity method	36	48
Profit before income tax expenses	34,110	4,897
Income tax expenses	(11,093)	(3,291)
Profit for the period	23,017	1,606
Profit attributable to:		
Owners of the parent	21,557	231
Non-controlling interests	1,460	1,375

	Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	29.74	0.32
Diluted	-	-

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

* Gain on sales of property, plant and equipment and others are included in “other income”.

Condensed Consolidated Statement of Comprehensive Income

Ricoh Company, Ltd. and Consolidated Subsidiaries

Half year ended September 30, 2015 and 2016

	Millions of Yen	
	Half year ended September 30, 2015	Half year ended September 30, 2016
Profit for the period	37,377	7,993
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	-	(152)
Total components that will not be reclassified subsequently to profit or loss	-	(152)
Components that will be reclassified subsequently to profit or loss:		
Net gain (loss) on fair value of available-for-sale financial assets	1,742	(477)
Net gain (loss) on fair value of cash flow hedges	(301)	(833)
Exchange differences on translation of foreign operations	(1,312)	(80,921)
Total components that will be reclassified subsequently to profit or loss	129	(82,231)
Total other comprehensive income (loss)	129	(82,383)
Comprehensive income (loss)	37,506	(74,390)
Comprehensive income (loss) attributable to:		
Owners of the parent	35,029	(76,782)
Non-controlling interests	2,477	2,392

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

Three months ended September 30, 2015 and 2016

	Millions of Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Profit for the period	23,017	1,606
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	-	(152)
Total components that will not be reclassified subsequently to profit or loss	-	(152)
Components that will be reclassified subsequently to profit or loss:		
Net gain (loss) on fair value of available-for-sale financial assets	(1,243)	(481)
Net gain (loss) on fair value of cash flow hedges	(499)	290
Exchange differences on translation of foreign operations	(24,291)	(10,768)
Total components that will be reclassified subsequently to profit or loss	(26,033)	(10,959)
Total other comprehensive income (loss)	(26,033)	(11,111)
Comprehensive income (loss)	(3,016)	(9,505)
Comprehensive income (loss) attributable to:		
Owners of the parent	(4,156)	(10,909)
Non-controlling interests	1,140	1,404

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, 2015	135,364	186,083	(37,295)	-	17,082	803
Profit for the period						
Other comprehensive income (loss)					1,823	(201)
Comprehensive income	-	-	-	-	1,823	(201)
Net change in treasury stock			(9)			
Dividends declared and approved to owners (Note 6)						
Transfer from other components of equity to retained earnings						
Acquisition of non-controlling interests		340				
Total transactions with owners	-	340	(9)	-	-	-
Balance as of September 30, 2015	135,364	186,423	(37,304)	-	18,905	602

	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, 2015	135,662	153,547	646,468	1,084,167	70,145	1,154,312
Profit for the period			34,543	34,543	2,834	37,377
Other comprehensive income (loss)	(1,136)	486		486	(357)	129
Comprehensive income	(1,136)	486	34,543	35,029	2,477	37,506
Net change in treasury stock				(9)		(9)
Dividends declared and approved to owners (Note 6)			(12,323)	(12,323)	(464)	(12,787)
Transfer from other components of equity to retained earnings				-		-
Acquisition of non-controlling interests				340	(2,608)	(2,268)
Total transactions with owners	-	-	(12,323)	(11,992)	(3,072)	(15,064)
Balance as of September 30, 2015	134,526	154,033	668,688	1,107,204	69,550	1,176,754

(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, 2016	135,364	186,423	(37,312)	-	23,617	(267)
Profit for the period						
Other comprehensive income (loss)				(152)	(456)	(351)
Comprehensive income	-	-	-	(152)	(456)	(351)
Net change in treasury stock			(2)			
Dividends declared and approved to owners (Note 6)						
Transfer from other components of equity to retained earnings				152		
Acquisition of non-controlling interests						
Total transactions with owners	-	-	(2)	152	-	-
Balance as of September 30, 2016	135,364	186,423	(37,314)	-	23,161	(618)

	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, 2016	91,564	114,914	678,424	1,077,813	69,951	1,147,764
Profit for the period			5,002	5,002	2,991	7,993
Other comprehensive income (loss)	(80,825)	(81,784)		(81,784)	(599)	(82,383)
Comprehensive income	(80,825)	(81,784)	5,002	(76,782)	2,392	(74,390)
Net change in treasury stock				(2)		(2)
Dividends declared and approved to owners (Note 6)			(12,686)	(12,686)	(405)	(13,091)
Transfer from other components of equity to retained earnings		152	(152)	-		-
Acquisition of non-controlling interests				-		-
Total transactions with owners	-	152	(12,838)	(12,688)	(405)	(13,093)
Balance as of September 30, 2016	10,739	33,282	670,588	988,343	71,938	1,060,281

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	
	Half year ended September 30, 2015	Half year ended September 30, 2016
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	37,377	7,993
Adjustments to reconcile profit for the period to net cash provided by operating activities -		
Depreciation and amortization	53,124	52,270
Other income	(17,543)	(1,619)
Share of profit (loss) of investments accounted for using the equity method	(48)	(51)
Finance income and costs	2,604	1,307
Income tax expenses	16,185	7,301
Decrease in trade and other receivables	6,841	22,752
Increase in inventories	(3,261)	(14,205)
Increase in lease receivables	(27,474)	(13,919)
Decrease in trade and other payables	(21,967)	(11,862)
Decrease in accrued pension and retirement benefits	(8,546)	(6,423)
Other, net	35,515	(5,194)
Interest and dividends received	1,389	2,057
Interest paid	(3,422)	(2,663)
Income taxes paid	(15,168)	(10,426)
Net cash provided by operating activities	55,606	27,318
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	17,933	1,352
Expenditures for property, plant and equipment	(40,921)	(35,924)
Expenditures for intangible assets	(13,052)	(12,615)
Payments for purchases of available-for-sale securities	(204)	(184)
Proceeds from sales of available-for-sale securities	2,399	473
Decrease in time deposits	145	203
Purchase of business, net of cash acquired	(4,724)	(287)
Other, net	(7,643)	(5,855)
Net cash used in investing activities	(46,067)	(52,837)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds of short-term debt	18,901	(1,588)
Proceeds from long-term debt	104,247	143,670
Repayments of long-term debt	(34,654)	(97,019)
Proceeds from issuance of bonds (Note 5)	20,000	31,567
Repayments of bonds (Note 5)	(60,000)	(10,000)
Dividends paid (Note 6)	(12,323)	(12,686)
Payments for purchase of treasury stock	(9)	(3)
Other, net	(2,732)	(425)
Net cash provided by financing activities	33,430	53,516
IV. EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(495)	(11,306)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	42,474	16,691
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,722	167,547
VII. CASH AND CASH EQUIVALENTS AT END OF PERIOD	180,196	184,238

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 September 30, 2016 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, 2016, 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 half year ended September 30, 2016 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.

IFRSs	Title	Summaries of new IFRSs/amendments
IFRS 7	Financial Instruments: Disclosures	Clarifying the criteria on whether a servicing contract is continuing involvement in a transferred financial asset Clarifying the applicability of the offset disclosure of financial assets and financial liabilities to condensed interim financial statements
IAS 1	Presentation of Financial Statements	Clarifying disclosure requirement regarding materiality considerations
IAS 19	Employee Benefits	Clarifying the method to determine the discount rate for post-employment benefit obligations
IAS 34	Interim Financial Reporting	Clarifying disclosure requirement for information "elsewhere in the interim financial report"
IAS 16 IAS 38	Property, Plant and Equipment Intangible Assets	Clarifying that a revenue-based method is not considered to be an acceptable method of depreciation and amortization in principle

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 based on operating profit, 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 half year and three months ended September 30, 2015 and 2016. Intersegment sales are made at arm's-length prices. No single customer accounted for 10% or more of the total sales for the half year and three months ended September 30, 2015 and 2016.

(a) Operating Segment Information

Half year ended September 30, 2015 and 2016

	Millions of Yen	
	Half year ended September 30, 2015	Half year ended September 30, 2016
Segment sales:		
Imaging & Solutions	978,054	855,349
Industrial Products	69,417	64,684
Other	53,704	56,912
Intersegment sales	(5,997)	(5,502)
Total segment sales	1,095,178	971,443
Segment profit:		
Imaging & Solutions	78,696	35,458
Industrial Products	6,103	4,474
Other	1,321	2,695
Total segment profit	86,120	42,627
Reconciling items:		
Corporate expenses and elimination	(30,002)	(26,077)
Finance income	3,431	3,450
Finance costs	(6,035)	(4,757)
Share of profit (loss) of investments accounted for using equity method	48	51
Profit before income tax expenses	53,562	15,294

Three months ended September 30, 2015 and 2016

	Millions of Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Segment sales:		
Imaging & Solutions	496,581	424,880
Industrial Products	35,496	33,011
Other	27,091	28,506
Intersegment sales	(3,165)	(2,660)
Total segment sales	556,003	483,737
Segment profit:		
Imaging & Solutions	46,698	15,992
Industrial Products	3,176	1,900
Other	915	1,101
Total segment profit	50,789	18,993
Reconciling items:		
Corporate expenses and elimination	(15,344)	(13,313)
Finance income	2,785	1,645
Finance costs	(4,156)	(2,476)
Share of profit (loss) of investments accounted for using equity method	36	48
Profit before income tax expenses	34,110	4,897

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:

Half year ended September 30, 2015 and 2016

	Millions of Yen	
	Half year ended September 30, 2015	Half year ended September 30, 2016
Sales:		
Japan	367,021	364,791
The Americas	352,870	292,845
Europe, Middle East and Africa	259,984	220,928
Other	115,303	92,879
Consolidated	1,095,178	971,443
The United States (included in The Americas)	299,162	247,265

Three months ended September 30, 2015 and 2016

	Millions of Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Sales:		
Japan	187,144	185,690
The Americas	178,631	147,236
Europe, Middle East and Africa	130,172	104,390
Other	60,056	46,421
Consolidated	556,003	483,737
The United States (included in The Americas)	151,601	125,008

5. BONDS

As for the half year ended September 30, 2015, there was an issuance of straight bonds of ¥20,000 million (0.27% per annum, due August 2020). There were repayments of straight bonds of ¥20,000 million (0.61% per annum, due May 2015) and ¥40,000 million (0.57% per annum, due June 2015).

As for the half year ended September 30, 2016, there were issuances of straight bonds of EURO 100 million (¥11,336 million) (0.37% per annum, due July 2019), ¥10,000 million (0.001% per annum, due September 2019) and ¥10,000 million (0.05% per annum, due September 2021). There was a repayment of straight bonds of ¥10,000 million (0.07% per annum, due July 2016).

6. DIVIDENDS

(a) Dividends paid during the half year ended September 30, 2015 and 2016 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 19, 2015	Ordinary shares	12,323	17.0	March 31, 2015	June 22, 2015	Retained earnings
Ordinary general meeting of shareholders held on June 17, 2016	Ordinary shares	12,686	17.5	March 31, 2016	June 20, 2016	Retained earnings

(b) Dividends whose record date is in the second quarter but whose effective date is in the following quarter are as follows:

Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Source of dividends
		(Millions of Yen)	(Yen)			
Board of Directors' meeting held on October 30, 2015	Ordinary shares	12,686	17.5	September 30, 2015	December 1, 2015	Retained earnings
Board of Directors' meeting held on October 27, 2016	Ordinary shares	16,310	22.5	September 30, 2016	December 1, 2016	Retained earnings

7. 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, 2016		As of September 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair Value
Assets:				
Trade receivables	82,703	85,827	86,440	89,705
Lease receivables	778,529	805,923	770,250	797,528
Installment loans	109,249	109,906	115,316	116,009
Derivative assets	4,740	4,740	2,156	2,156
Securities	65,425	65,425	64,786	64,786
Bonds	1,659	1,659	1,431	1,431
Total	1,042,305	1,073,480	1,040,379	1,071,615
Liabilities:				
Derivative liabilities	(3,697)	(3,697)	(2,666)	(2,666)
Loans and borrowings	(592,045)	(593,086)	(619,196)	(620,346)
Lease liabilities	(1,868)	(1,941)	(1,931)	(2,006)
Total	(597,610)	(598,724)	(623,793)	(625,018)

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 12 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, since they are valued using observable market data.

(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, since they are valued using observable market data.

(iv) Derivatives

Derivative instruments include interest rate swap agreements, foreign currency contracts and foreign currency options. Fair values of these instruments are mainly measured by obtaining quotes from brokers or proper valuation method based on available information.

(v) Securities and bonds

Securities and bonds include 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 12 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, since they are valued using observable market data.

(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, 2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	4,740	-	4,740
Securities	62,369	-	3,056	65,425
Bonds	1,659	-	-	1,659
Total assets	64,028	4,740	3,056	71,824
Derivative liabilities	-	3,697	-	3,697
Total liabilities	-	3,697	-	3,697

	Millions of Yen			
	As of September 30, 2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	2,156	-	2,156
Securities	61,572	-	3,214	64,786
Bonds	1,431	-	-	1,431
Total assets	63,003	2,156	3,214	68,373
Derivative liabilities	-	2,666	-	2,666
Total liabilities	-	2,666	-	2,666

Note:

(i) Derivative instruments consist of interest rate swap agreements, foreign currency contracts and foreign currency options. 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 include marketable equity securities, bonds and unlisted securities. Marketable equity securities and bonds are observable and valued using a market approach based on the quoted market

prices of identical instruments in active markets, and therefore marketable equity securities and bonds are classified as Level 1. 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.

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

The following amounts were charged to selling, general and administrative expenses for the half year and three months ended September 30, 2015 and 2016:

	Millions of Yen	
	Half year ended September 30, 2015	Half year ended September 30, 2016
Research and development expenses	50,860	50,001
Shipping and handling costs	14,357	12,778
Advertising costs	5,252	4,328

	Millions of Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Research and development expenses	27,017	26,237
Shipping and handling costs	7,059	6,305
Advertising costs	2,649	2,416

9. EARNINGS PER SHARE

Earnings per share are as follows.

Diluted net income per share for the half year ended September 30, 2015 and 2016 is omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

	Half year ended September 30, 2015	Half year ended September 30, 2016
Profit attributable to owners of the parent (millions of yen)	34,543	5,002
Weighted average number of issued and outstanding shares (thousands of shares)	724,897	724,887
Earnings per share (attributable to owners of the parent) (yen)	47.65	6.90

	Three months ended September 30, 2015	Three months ended September 30, 2016
Profit attributable to owners of the parent (millions of yen)	21,557	231
Weighted average number of issued and outstanding shares (thousands of shares)	724,896	724,887
Earnings per share (attributable to owners of the parent) (yen)	29.74	0.32

10. CAPITAL COMMITMENTS AND CONTINGENCIES

As of March 31, 2016 and September 30, 2016, Ricoh had outstanding contractual commitments for acquisition or construction of property, plant and equipment and other assets aggregating ¥22,968 million and ¥19,825 million.

As of March 31, 2016 and September 30, 2016, there were no significant contingent liabilities.

As of September 30, 2016, 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.

11. SUBSEQUENT EVENTS

There are no material subsequent events.

12. AUTHORIZATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were authorized for issue by Zenji Miura, Representative Director and President, and Yukihiro Yamanaka, Corporate Vice President and Corporate Financial Executive, on November 10, 2016.