

Ricoh Company, Ltd.

Condensed Consolidated Financial Statements
for the Nine Months Ended December 31, 2015

This is an English translation of the Quarterly Securities Report (Shihanki Hokokusho) for the nine months ended December 31, 2015 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, 2015	As of December 31, 2015
Current assets:		
Cash and cash equivalents	137,722	162,672
Time deposits	927	499
Trade and other receivables	553,534	549,176
Other financial assets	260,056	269,086
Inventories	224,481	234,838
Other current assets	39,662	47,705
Total current assets	1,216,382	1,263,976
Non-current assets:		
Property, plant and equipment	276,617	279,598
Goodwill and intangible assets	435,752	432,306
Other financial assets	601,797	625,137
Investments accounted for using the equity method	450	873
Other investments	58,237	63,735
Other non-current assets	44,119	41,498
Deferred tax assets	96,853	86,932
Total non-current assets	1,513,825	1,530,079
Total assets	2,730,207	2,794,055

LIABILITIES AND EQUITY	Millions of Yen	
	As of March 31, 2015	As of December 31, 2015
Current liabilities:		
Bonds and borrowings (Note 5)	222,065	272,504
Trade and other payables	276,986	245,952
Other financial liabilities	1,800	580
Income tax payables	13,683	14,108
Other current liabilities	257,605	245,306
Total current liabilities	772,139	778,450
Non-current liabilities:		
Bonds and borrowings (Note 5)	568,515	612,956
Other financial liabilities	1,537	2,754
Accrued pension and retirement benefits	144,153	132,598
Other non-current liabilities	84,721	82,711
Deferred tax liabilities	4,830	4,798
Total non-current liabilities	803,756	835,817
Total liabilities	1,575,895	1,614,267
Equity:		
Common stock	135,364	135,364
Additional paid-in capital	186,083	186,423
Treasury stock	(37,295)	(37,310)
Other components of equity	153,547	150,638
Retained earnings	646,468	674,379
Total equity attributable to owners of the parent	1,084,167	1,109,494
Non-controlling interests	70,145	70,294
Total equity	1,154,312	1,179,788
Total liabilities and equity	2,730,207	2,794,055

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, 2014 and 2015

	Millions of Yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Sales: (Note 4)		
Products	715,423	750,151
Post sales and rentals	786,805	820,672
Other revenue	69,272	73,033
Total sales	1,571,500	1,643,856
Cost of sales:		
Products	(498,028)	(550,393)
Post sales and rentals	(352,963)	(380,120)
Other revenue	(41,326)	(40,600)
Total cost of sales	(892,317)	(971,113)
Gross profit	679,183	672,743
Selling, general and administrative expenses (Note 8)	(595,514)	(605,231)
Other income	2,420	17,948
Operating profit	86,089	85,460
Finance income	4,492	3,784
Finance costs	(5,630)	(8,127)
Share of profit (loss) of investments accounted for using the equity method	(69)	66
Profit before income tax expenses	84,882	81,183
Income tax expenses	(27,992)	(25,718)
Profit for the period	56,890	55,465
Profit attributable to:		
Owners of the parent	52,351	51,415
Non-controlling interests	4,539	4,050

	Yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	72.22	70.93
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”. Prior year comparative figures have also been adjusted to conform to the current year presentation.

* The compilation method has been changed from this fiscal year such as part of the lease transactions are shown in net basis instead of gross basis. Prior year comparative figures have also been adjusted to conform to the current year presentation.

Three months ended December 31, 2014 and 2015

	Millions of Yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Sales: (Note 4)		
Products	244,708	250,020
Post sales and rentals	270,994	273,605
Other revenue	23,185	25,053
Total sales	538,887	548,678
Cost of sales:		
Products	(170,641)	(183,009)
Post sales and rentals	(121,781)	(126,236)
Other revenue	(13,738)	(13,426)
Total cost of sales	(306,160)	(322,671)
Gross profit	232,727	226,007
Selling, general and administrative expenses (Note 8)	(203,081)	(197,070)
Other income	575	405
Operating profit	30,221	29,342
Finance income	1,015	353
Finance costs	(1,906)	(2,092)
Share of profit (loss) of investments accounted for using the equity method	(37)	18
Profit before income tax expenses	29,293	27,621
Income tax expenses	(9,245)	(9,533)
Profit for the period	20,048	18,088
Profit attributable to:		
Owners of the parent	18,372	16,872
Non-controlling interests	1,676	1,216

	Yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	25.34	23.28
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”. Prior year comparative figures have also been adjusted to conform to the current year presentation.

* The compilation method has been changed from this fiscal year such as part of the lease transactions are shown in net basis instead of gross basis. Prior year comparative figures have also been adjusted to conform to the current year presentation.

Condensed Consolidated Statement of Comprehensive Income

Ricoh Company, Ltd. and Consolidated Subsidiaries

Nine months ended December 31, 2014 and 2015

	Millions of Yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit for the period	56,890	55,465
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	(10,478)	1,505
Total components that will not be reclassified subsequently to profit or loss	(10,478)	1,505
Components that will be reclassified subsequently to profit or loss:		
Net gain (loss) on fair value of available-for-sale financial assets	(64)	4,047
Net gain (loss) on fair value of cash flow hedges	1,595	(157)
Exchange differences on translation of foreign operations	61,339	(7,210)
Total components that will be reclassified subsequently to profit or loss	62,870	(3,320)
Total other comprehensive income (loss)	52,392	(1,815)
Comprehensive income	109,282	53,650
Comprehensive income attributable to:		
Owners of the parent	104,192	50,011
Non-controlling interests	5,090	3,639

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

Three months ended December 31, 2014 and 2015

	Millions of Yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Profit for the period	20,048	18,088
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	(10,478)	1,505
Total components that will not be reclassified subsequently to profit or loss	(10,478)	1,505
Components that will be reclassified subsequently to profit or loss:		
Net gain on fair value of available-for-sale financial assets	1,149	2,305
Net gain on fair value of cash flow hedges	939	144
Exchange differences on translation of foreign operations	47,709	(5,898)
Total components that will be reclassified subsequently to profit or loss	49,797	(3,449)
Total other comprehensive income (loss)	39,319	(1,944)
Comprehensive income	59,367	16,144
Comprehensive income attributable to:		
Owners of the parent	57,224	14,982
Non-controlling interests	2,143	1,162

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, 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 6)						
Transfer from other components of equity to retained earnings				10,478		
Acquisition of non-controlling interests						
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 6)			(24,285)	(24,285)	(724)	(25,009)
Transfer from other components of equity to retained earnings		10,478	(10,478)	-		-
Acquisition of non-controlling interests				-		-
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

(Millions of Yen)

	Common Stock	Additional paid-in capital	Treasury stock	Other components of equity		
				Remeasurement of defined benefit plan	Net gain 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)				1,505	4,120	(45)
Comprehensive income:	-	-	-	1,505	4,120	(45)
Net change in treasury stock			(15)			
Dividends declared and approved to owners (Note 6)						
Transfer from other components of equity to retained earnings				(1,505)		
Acquisition of non-controlling interests		340				
Total transactions with owners	-	340	(15)	(1,505)	-	-
Balance as of December 31, 2015	135,364	186,423	(37,310)	-	21,202	758

	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			51,415	51,415	4,050	55,465
Other comprehensive income (loss)	(6,984)	(1,404)		(1,404)	(411)	(1,815)
Comprehensive income:	(6,984)	(1,404)	51,415	50,011	3,639	53,650
Net change in treasury stock				(15)		(15)
Dividends declared and approved to owners (Note 6)			(25,009)	(25,009)	(882)	(25,891)
Transfer from other components of equity to retained earnings		(1,505)	1,505	-		-
Acquisition of non-controlling interests				340	(2,608)	(2,268)
Total transactions with owners	-	(1,505)	(23,504)	(24,684)	(3,490)	(28,174)
Balance as of December 31, 2015	128,678	150,638	674,379	1,109,494	70,294	1,179,788

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, 2014	Nine months ended December 31, 2015
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	56,890	55,465
Adjustments to reconcile profit for the period to net cash provided by operating activities -		
Depreciation and amortization	80,877	81,201
Other income	(2,420)	(17,948)
Share of loss (profit) of investments accounted for using the equity method	69	(66)
Finance income and costs	1,138	4,343
Income tax expenses	27,992	25,718
Decrease in trade and other receivables	15,914	6,022
Increase in inventories	(29,208)	(11,333)
Increase in lease receivables	(18,699)	(27,336)
Decrease in trade and other payables	(41,768)	(31,327)
Decrease in accrued pension and retirement benefits	(13,821)	(9,763)
Other, net	(14,361)	(16,958)
Interest and dividends received	1,877	1,711
Interest paid	(4,977)	(4,604)
Income taxes paid	(23,818)	(21,977)
Net cash provided by operating activities	35,685	33,148
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	1,208	18,011
Expenditures for property, plant and equipment	(54,938)	(61,622)
Expenditures for intangible assets	(25,716)	(20,526)
Payments for purchases of available-for-sale securities	(93)	(623)
Proceeds from sales of available-for-sale securities	158	2,450
Decrease in time deposits	990	404
Purchase of business, net of cash acquired	(8,499)	(4,820)
Other, net	(23,720)	(8,655)
Net cash used in investing activities	(110,610)	(75,381)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds of short-term debt	1,480	44,071
Proceeds from long-term debt	185,438	151,587
Repayments of long-term debt	(87,396)	(59,130)
Proceeds from issuance of bonds (Note 5)	20,000	20,000
Repayments of bonds (Note 5)	(35,000)	(60,000)
Dividends paid (Note 6)	(24,285)	(25,009)
Payments for purchase of treasury stock	(15)	(14)
Other, net	(701)	(3,150)
Net cash provided by financing activities	59,521	68,355
IV. EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	11,886	(1,172)
V. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,518)	24,950
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	140,047	137,722
VII. CASH AND CASH EQUIVALENTS AT END OF PERIOD	136,529	162,672

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, 2015 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, 2015, 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, 2015 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 13	Fair Value Measurement	Clarifying a scope exception for measuring the fair value of a portfolio
IAS 19	Employee Benefits	Clarifying accounting treatment for contributions from employees or third parties as required in the terms of defined benefit plans

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 nine months and three months ended December 31, 2014 and 2015. 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, 2014 and 2015.

(1) Operating Segment Information

Nine months ended December 31, 2014 and 2015

	Millions of Yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Segment sales:		
Imaging & Solutions	1,394,102	1,468,075
Industrial Products	98,000	103,953
Other	89,440	81,107
Intersegment sales	(10,042)	(9,279)
Total segment sales	1,571,500	1,643,856
Segment profit:		
Imaging & Solutions	125,717	119,455
Industrial Products	4,428	8,432
Other	1	2,085
Total segment profit	130,146	129,972
Reconciling items:		
Corporate expenses and elimination	(44,057)	(44,512)
Finance income	4,492	3,784
Finance costs	(5,630)	(8,127)
Share of profit (loss) of investments accounted for using equity method	(69)	66
Profit before income tax expenses	84,882	81,183

Three months ended December 31, 2014 and 2015

	Millions of Yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Segment sales:		
Imaging & Solutions	479,179	490,021
Industrial Products	34,513	34,536
Other	28,824	27,403
Intersegment sales	(3,629)	(3,282)
Total segment sales	538,887	548,678
Segment profit (loss):		
Imaging & Solutions	44,103	40,759
Industrial Products	2,371	2,329
Other	(167)	764
Total segment profit	46,307	43,852
Reconciling items:		
Corporate expenses and elimination	(16,086)	(14,510)
Finance income	1,015	353
Finance costs	(1,906)	(2,092)
Share of profit (loss) of investments accounted for using equity method	(37)	18
Profit before income tax expenses	29,293	27,621

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

(2) Geographic Information

Sales based on the location of customers are as follows:

Nine months ended December 31, 2014 and 2015

	Millions of Yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Sales:		
Japan	552,595	549,146
The Americas	473,306	524,758
Europe, Middle East and Africa	391,428	397,330
Other	154,171	172,622
Consolidated	1,571,500	1,643,856
The United States (included in The Americas)	396,512	444,366

Three months ended December 31, 2014 and 2015

	Millions of Yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Sales:		
Japan	177,867	182,125
The Americas	169,073	171,888
Europe, Middle East and Africa	136,981	137,346
Other	54,966	57,319
Consolidated	538,887	548,678
The United States (included in The Americas)	141,469	145,204

* The compilation method has been changed from this fiscal year such as part of the lease transactions are shown in net basis instead of gross basis. Prior year comparative figures have also been adjusted to conform to the current year presentation.

5. BONDS

As for 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 was also a repayment of straight bonds of ¥35,000 million (1.47% per annum, due April 2014).

As for the nine months ended December 31, 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 straight bonds of ¥40,000 million (0.57% per annum, due June 2015).

6. DIVIDENDS

Dividends paid during the nine months ended December 31, 2014 and 2015 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 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
Ordinary general meeting of shareholders held on June 19, 2015	Ordinary shares	12,323	17.0	March 31, 2015	June 22, 2015	Retained earnings
Board of Directors' meeting held on October 30, 2015	Ordinary shares	12,686	17.5	September 30, 2015	December 1, 2015	Retained earnings

Dividends whose record date is in the third quarter but whose effective date is in the following quarter are as follows:

None noted.

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, 2015		As of December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair Value
Assets:				
Trade receivables	71,531	74,214	81,700	84,764
Lease receivables	753,920	777,935	779,337	804,213
Installment loans	103,764	104,600	108,814	109,691
Derivative assets	4,169	4,169	6,072	6,072
Securities	56,220	56,220	61,938	61,938
Bonds	2,017	2,017	1,797	1,797
Total	991,621	1,019,155	1,039,658	1,068,475
Liabilities:				
Derivative liabilities	(2,484)	(2,484)	(1,411)	(1,411)
Loans and borrowings	(568,515)	(564,609)	(612,956)	(605,357)
Lease liabilities	(853)	(853)	(1,923)	(1,923)
Total	(571,852)	(567,946)	(616,290)	(608,691)

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.

(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 interest rate swap agreements, foreign currency contracts and foreign currency options. 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 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.

(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, 2015			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	4,169	-	4,169
Securities	53,736	-	2,484	56,220
Bonds	2,017	-	-	2,017
Total assets	55,753	4,169	2,484	62,406
Derivative liabilities	-	2,484	-	2,484
Total liabilities	-	2,484	-	2,484

	Millions of Yen			
	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	6,072	-	6,072
Securities	59,171	-	2,767	61,938
Bonds	1,797	-	-	1,797
Total assets	60,968	6,072	2,767	69,807
Derivative liabilities	-	1,411	-	1,411
Total liabilities	-	1,411	-	1,411

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 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.

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 nine months and three months ended December 31, 2014 and 2015:

	Millions of Yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Research and development expenses	71,609	74,553
Shipping and handling costs	20,970	21,402
Advertising costs	8,770	8,160

	Millions of Yen	
	Three months ended December 31, 2014	Three months ended December 31, 2015
Research and development expenses	23,878	23,693
Shipping and handling costs	7,176	7,045
Advertising costs	3,504	2,908

9. EARNINGS PER SHARE

Earnings per share are as follows.

Diluted net income per share for the nine months and three months ended December 31, 2014 and 2015 are omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit attributable to owners of the parent (millions of yen)	52,351	51,415
Weighted average number of issued and outstanding shares (thousands of shares)	724,909	724,895
Earnings per share (attributable to owners of the parent) (yen)	72.22	70.93

	Three months ended December 31, 2014	Three months ended December 31, 2015
Profit attributable to owners of the parent (millions of yen)	18,372	16,872
Weighted average number of issued and outstanding shares (thousands of shares)	724,906	724,892
Earnings per share (attributable to owners of the parent) (yen)	25.34	23.28

10. CAPITAL COMMITMENTS AND CONTINGENCIES

As of March 31, 2015 and December 31, 2015, Ricoh had outstanding contractual commitments for acquisition or construction of property, plant and equipment and other assets aggregating ¥29,314 million and ¥20,530 million.

As of March 31, 2015 and December 31, 2015, there were no significant contingent liabilities.

As of December 31, 2015, 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, President and Chief Executive Officer, and Daisuke Segawa, Corporate Senior Vice President and Corporate Financial Executive, on February 12, 2016.