

Ricoh Company, Ltd.

Condensed Consolidated Financial Statements
for the Nine Months Ended December 31, 2016

This is an English translation of the Quarterly Securities Report (Shihanki Hokokusho) for the nine months ended December 31, 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 December 31, 2016
Current assets:		
Cash and cash equivalents	167,547	193,154
Time deposits	973	658
Trade and other receivables	564,204	542,450
Other financial assets	272,347	277,251
Inventories	207,092	234,717
Other current assets	61,032	60,600
Total current assets	1,273,195	1,308,830
Non-current assets:		
Property, plant and equipment	276,551	274,912
Goodwill and intangible assets	413,836	405,615
Other financial assets	620,171	636,416
Investments accounted for using the equity method	935	971
Other investments	67,084	78,968
Other non-current assets	38,905	39,815
Deferred tax assets	85,784	89,379
Total non-current assets	1,503,266	1,526,076
Total assets	2,776,461	2,834,906

LIABILITIES AND EQUITY	Millions of Yen	
	As of March 31, 2016	As of December 31, 2016
Current liabilities:		
Bonds and borrowings (Note 5)	260,755	345,100
Trade and other payables	286,123	275,110
Other financial liabilities	1,820	1,532
Income tax payables	15,220	13,441
Other current liabilities	242,950	253,439
Total current liabilities	806,868	888,622
Non-current liabilities:		
Bonds and borrowings (Note 5)	592,045	599,899
Other financial liabilities	3,745	2,542
Accrued pension and retirement benefits	139,049	132,893
Other non-current liabilities	82,392	72,456
Deferred tax liabilities	4,598	8,558
Total non-current liabilities	821,829	816,348
Total liabilities	1,628,697	1,704,970
Equity:		
Common stock	135,364	135,364
Additional paid-in capital	186,423	186,423
Treasury stock	(37,312)	(37,315)
Other components of equity	114,914	118,610
Retained earnings	678,424	653,388
Total equity attributable to owners of the parent	1,077,813	1,056,470
Non-controlling interests	69,951	73,466
Total equity	1,147,764	1,129,936
Total liabilities and equity	2,776,461	2,834,906

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, 2015 and 2016

	Millions of Yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Sales: (Note 4)		
Products	750,151	663,443
Post sales and rentals	820,672	732,841
Other revenue	73,033	73,142
Total sales	1,643,856	1,469,426
Cost of sales:		
Products	(550,393)	(501,068)
Post sales and rentals	(380,120)	(342,331)
Other revenue	(40,600)	(40,519)
Total cost of sales	(971,113)	(883,918)
Gross profit	672,743	585,508
Selling, general and administrative expenses (Note 8)	(605,231)	(559,138)
Other income	17,948	2,205
Operating profit	85,460	28,575
Finance income	3,784	3,599
Finance costs	(8,127)	(6,045)
Share of profit (loss) of investments accounted for using the equity method	66	33
Profit before income tax expenses	81,183	26,162
Income tax expenses	(25,718)	(17,539)
Profit for the period	55,465	8,623
Profit attributable to:		
Owners of the parent	51,415	4,114
Non-controlling interests	4,050	4,509

	Yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	70.93	5.68
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 December 31, 2015 and 2016

	Millions of Yen	
	Three months ended December 31, 2015	Three months ended December 31, 2016
Sales: (Note 4)		
Products	250,020	226,067
Post sales and rentals	273,605	247,304
Other revenue	25,053	24,612
Total sales	548,678	497,983
Cost of sales:		
Products	(183,009)	(170,424)
Post sales and rentals	(126,236)	(115,771)
Other revenue	(13,426)	(13,505)
Total cost of sales	(322,671)	(299,700)
Gross profit	226,007	198,283
Selling, general and administrative expenses (Note 8)	(197,070)	(186,844)
Other income	405	586
Operating profit	29,342	12,025
Finance income	353	149
Finance costs	(2,092)	(1,288)
Share of profit (loss) of investments accounted for using the equity method	18	(18)
Profit before income tax expenses	27,621	10,868
Income tax expenses	(9,533)	(10,238)
Profit for the period	18,088	630
Profit attributable to:		
Owners of the parent	16,872	(888)
Non-controlling interests	1,216	1,518

	Yen	
	Three months ended December 31, 2015	Three months ended December 31, 2016
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	23.28	(1.23)
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

Nine months ended December 31, 2015 and 2016

	Millions of Yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit for the period	55,465	8,623
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	1,505	(154)
Total components that will not be reclassified subsequently to profit or loss	1,505	(154)
Components that will be reclassified subsequently to profit or loss:		
Net gain on fair value of available-for-sale financial assets	4,047	8,519
Net gain (loss) on fair value of cash flow hedges	(157)	398
Exchange differences on translation of foreign operations	(7,210)	(5,348)
Total components that will be reclassified subsequently to profit or loss	(3,320)	3,569
Total other comprehensive income (loss)	(1,815)	3,415
Comprehensive income	53,650	12,038
Comprehensive income attributable to:		
Owners of the parent	50,011	7,656
Non-controlling interests	3,639	4,382

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

Three months ended December 31, 2015 and 2016

	Millions of Yen	
	Three months ended December 31, 2015	Three months ended December 31, 2016
Profit for the period	18,088	630
Other comprehensive income (loss):		
Components that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	1,505	(2)
Total components that will not be reclassified subsequently to profit or loss	1,505	(2)
Components that will be reclassified subsequently to profit or loss:		
Net gain on fair value of available-for-sale financial assets	2,305	8,996
Net gain on fair value of cash flow hedges	144	1,231
Exchange differences on translation of foreign operations	(5,898)	75,573
Total components that will be reclassified subsequently to profit or loss	(3,449)	85,800
Total other comprehensive income (loss)	(1,944)	85,798
Comprehensive income	16,144	86,428
Comprehensive income attributable to:		
Owners of the parent	14,982	84,438
Non-controlling interests	1,162	1,990

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)				1,505	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

(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)				(154)	8,524	399
Comprehensive income:	-	-	-	(154)	8,524	399
Net change in treasury stock			(3)			
Dividends declared and approved to owners (Note 6)						
Transfer from other components of equity to retained earnings				154		
Acquisition of non-controlling interests						
Total transactions with owners	-	-	(3)	154	-	-
Balance as of December 31, 2016	135,364	186,423	(37,315)	-	32,141	132

	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			4,114	4,114	4,509	8,623
Other comprehensive income (loss)	(5,227)	3,542		3,542	(127)	3,415
Comprehensive income:	(5,227)	3,542	4,114	7,656	4,382	12,038
Net change in treasury stock				(3)		(3)
Dividends declared and approved to owners (Note 6)			(28,996)	(28,996)	(867)	(29,863)
Transfer from other components of equity to retained earnings		154	(154)	-		-
Acquisition of non-controlling interests				-		-
Total transactions with owners	-	154	(29,150)	(28,999)	(867)	(29,866)
Balance as of December 31, 2016	86,337	118,610	653,388	1,056,470	73,466	1,129,936

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, 2015	Nine months ended December 31, 2016
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	55,465	8,623
Adjustments to reconcile profit for the period to net cash provided by operating activities -		
Depreciation and amortization	81,201	78,997
Other income	(17,948)	(2,205)
Share of profit (loss) of investments accounted for using the equity method	(66)	(33)
Finance income and costs	4,343	2,446
Income tax expenses	25,718	17,539
Decrease in trade and other receivables	6,022	16,444
Increase in inventories	(11,333)	(26,126)
Increase in lease receivables	(27,336)	(18,485)
Decrease in trade and other payables	(31,327)	(11,339)
Decrease in accrued pension and retirement benefits	(9,763)	(6,128)
Other, net	(16,958)	(9,878)
Interest and dividends received	1,711	1,962
Interest paid	(4,604)	(5,521)
Income taxes paid	(21,977)	(22,100)
Net cash provided by operating activities	33,148	24,196
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	18,011	12,906
Expenditures for property, plant and equipment	(61,622)	(53,049)
Expenditures for intangible assets	(20,526)	(18,121)
Payments for purchases of available-for-sale securities	(623)	(386)
Proceeds from sales of available-for-sale securities	2,450	755
Decrease in time deposits	404	222
Purchase of business, net of cash acquired	(4,820)	(287)
Other, net	(8,655)	(5,250)
Net cash used in investing activities	(75,381)	(63,210)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds of short-term debt	44,071	38,916
Proceeds from long-term debt	151,587	233,019
Repayments of long-term debt	(59,130)	(202,093)
Proceeds from issuance of bonds (Note 5)	20,000	31,567
Repayments of bonds (Note 5)	(60,000)	(10,000)
Dividends paid (Note 6)	(25,009)	(28,996)
Payments for purchase of treasury stock	(14)	(5)
Other, net	(3,150)	(887)
Net cash provided by financing activities	68,355	61,521
IV. EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(1,172)	3,100
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	24,950	25,607
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,722	167,547
VII. CASH AND CASH EQUIVALENTS AT END OF PERIOD	162,672	193,154

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, 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 leasing and 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 nine months ended December 31, 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 new IFRSs.

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 leasing and 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, 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 nine months and three months ended December 31, 2015 and 2016.

(a) Operating Segment Information

Nine months ended December 31, 2015 and 2016

	Millions of Yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Segment sales:		
Imaging & Solutions	1,468,075	1,294,478
Industrial Products	103,953	99,975
Other	81,107	83,616
Intersegment sales	(9,279)	(8,643)
Total segment sales	1,643,856	1,469,426
Segment profit:		
Imaging & Solutions	119,455	59,565
Industrial Products	8,432	7,157
Other	2,085	3,195
Total segment profit	129,972	69,917
Reconciling items:		
Corporate expenses and elimination	(44,512)	(41,342)
Finance income	3,784	3,599
Finance costs	(8,127)	(6,045)
Share of profit (loss) of investments accounted for using equity method	66	33
Profit before income tax expenses	81,183	26,162

Three months ended December 31, 2015 and 2016

	Millions of Yen	
	Three months ended December 31, 2015	Three months ended December 31, 2016
Segment sales:		
Imaging & Solutions	490,021	439,129
Industrial Products	34,536	35,291
Other	27,403	26,704
Intersegment sales	(3,282)	(3,141)
Total segment sales	548,678	497,983
Segment profit:		
Imaging & Solutions	40,759	24,107
Industrial Products	2,329	2,683
Other	764	500
Total segment profit	43,852	27,290
Reconciling items:		
Corporate expenses and elimination	(14,510)	(15,265)
Finance income	353	149
Finance costs	(2,092)	(1,288)
Share of profit (loss) of investments accounted for using equity method	18	(18)
Profit before income tax expenses	27,621	10,868

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, 2015 and 2016

	Millions of Yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Sales:		
Japan	549,146	546,996
The Americas	524,758	443,704
Europe, Middle East and Africa	397,330	334,654
Other	172,622	144,072
Consolidated	1,643,856	1,469,426
The United States (included in The Americas)	444,366	374,316

Three months ended December 31, 2015 and 2016

	Millions of Yen	
	Three months ended December 31, 2015	Three months ended December 31, 2016
Sales:		
Japan	182,125	182,205
The Americas	171,888	150,859
Europe, Middle East and Africa	137,346	113,726
Other	57,319	51,193
Consolidated	548,678	497,983
The United States (included in The Americas)	145,204	127,051

5. BONDS

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 ¥40,000 million (0.57% per annum, due June 2015).

As for the nine months ended December 31, 2016, there were issuances of straight bonds of EURO 100 million (¥12,270 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

Dividends paid during the nine months ended December 31, 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
Board of Directors' meeting held on October 30, 2015	Ordinary shares	12,686	17.5	September 30, 2015	December 1, 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
Board of Directors' meeting held on October 27, 2016	Ordinary shares	16,310	22.5	September 30, 2016	December 1, 2016	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, 2016		As of December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair Value
Assets:				
Trade receivables	82,703	85,827	92,026	95,502
Lease receivables	778,529	805,923	796,311	824,370
Installment loans	109,249	109,906	114,738	115,428
Derivative assets	4,740	4,740	2,618	2,618
Securities	65,425	65,425	77,442	77,442
Bonds	1,659	1,659	1,526	1,526
Total	1,042,305	1,073,480	1,084,661	1,116,886
Liabilities:				
Derivative liabilities	(3,697)	(3,697)	(2,123)	(2,123)
Loans and borrowings	(592,045)	(593,086)	(599,899)	(601,161)
Lease liabilities	(1,868)	(1,941)	(1,951)	(2,027)
Total	(597,610)	(598,724)	(603,973)	(605,311)

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 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 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 December 31, 2016			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	2,618	-	2,618
Securities	74,107	-	3,335	77,442
Bonds	1,526	-	-	1,526
Total assets	75,633	2,618	3,335	81,586
Derivative liabilities	-	2,123	-	2,123
Total liabilities	-	2,123	-	2,123

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 nine months and three months ended December 31, 2015 and 2016:

	Millions of Yen	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Research and development expenses	74,553	74,584
Shipping and handling costs	21,402	19,602
Advertising costs	8,160	6,547

	Millions of Yen	
	Three months ended December 31, 2015	Three months ended December 31, 2016
Research and development expenses	23,693	24,583
Shipping and handling costs	7,045	6,825
Advertising costs	2,908	2,219

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, 2015 and 2016 are omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
	Profit attributable to owners of the parent (millions of yen)	51,415
Weighted average number of issued and outstanding shares (thousands of shares)	724,895	724,886
Earnings per share (attributable to owners of the parent) (yen)	70.93	5.68

	Three months ended December 31, 2015	Three months ended December 31, 2016
	Profit attributable to owners of the parent (millions of yen)	16,872
Weighted average number of issued and outstanding shares (thousands of shares)	724,892	724,885
Earnings per share (attributable to owners of the parent) (yen)	23.28	(1.23)

10. CAPITAL COMMITMENTS AND CONTINGENCIES

As of March 31, 2016 and December 31, 2016, Ricoh had outstanding contractual commitments for acquisition or construction of property, plant and equipment and other assets aggregating ¥22,968 million and ¥16,036 million.

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

As of December 31, 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 February 9, 2017.