

Ricoh Company, Ltd.

Condensed Consolidated Financial Statements
for the Half Year Ended September 30, 2017

This is an English translation of the Quarterly Securities Report (Shihanki Hokokusho) for the half year ended September 30, 2017 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, 2017	As of September 30, 2017
Current assets:		
Cash and cash equivalents	126,429	156,707
Time deposits	8,662	70
Trade and other receivables	566,315	566,159
Other financial assets	276,575	290,271
Inventories	202,551	213,593
Other current assets	58,682	65,149
Total current assets	1,239,214	1,291,949
Non-current assets:		
Property, plant and equipment	271,257	265,070
Goodwill and intangible assets	388,177	391,130
Other financial assets	655,600	670,779
Investments accounted for using the equity method	563	598
Other investments	81,579	85,793
Other non-current assets	39,210	41,315
Deferred tax assets	83,687	79,389
Total non-current assets	1,520,073	1,534,074
Total assets	2,759,287	2,826,023

LIABILITIES AND EQUITY	Millions of Yen	
	As of March 31, 2017	As of September 30, 2017
Current liabilities:		
Bonds and borrowings (Note 5)	229,944	234,763
Trade and other payables	295,788	271,365
Other financial liabilities	2,227	1,179
Income tax payables	15,149	24,203
Provisions	9,127	8,342
Other current liabilities	254,689	240,444
Total current liabilities	806,924	780,296
Non-current liabilities:		
Bonds and borrowings (Note 5)	629,799	678,088
Other financial liabilities	2,178	2,500
Accrued pension and retirement benefits	120,725	118,530
Provisions	10,969	11,780
Other non-current liabilities	61,701	74,237
Deferred tax liabilities	10,114	10,150
Total non-current liabilities	835,486	895,285
Total liabilities	1,642,410	1,675,581
Equity:		
Common stock	135,364	135,364
Additional paid-in capital	186,423	186,423
Treasury stock	(37,318)	(37,322)
Other components of equity	100,194	135,882
Retained earnings	657,443	652,909
Equity attributable to owners of the parent	1,042,106	1,073,256
Non-controlling interests	74,771	77,186
Total equity	1,116,877	1,150,442
Total liabilities and equity	2,759,287	2,826,023

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, 2016 and 2017

	Millions of Yen	
	Half year ended September 30, 2016	Half year ended September 30, 2017
Sales: (Note 4)		
Products	437,376	441,517
Post sales and rentals	485,537	497,736
Other revenue	48,530	59,584
Total sales	971,443	998,837
Cost of sales:		
Products	(330,644)	(337,514)
Post sales and rentals	(226,560)	(233,426)
Other revenue	(27,014)	(37,469)
Total cost of sales	(584,218)	(608,409)
Gross profit	387,225	390,428
Selling, general and administrative expenses (Note 8)	(372,294)	(376,759)
Other income	1,619	8,346
Operating profit	16,550	22,015
Finance income	3,450	1,903
Finance costs	(4,757)	(6,180)
Share of profit (loss) of investments accounted for using the equity method	51	34
Profit before income tax expenses	15,294	17,772
Income tax expenses	(7,301)	(10,396)
Profit for the period	7,993	7,376
Profit attributable to:		
Owners of the parent	5,002	4,527
Non-controlling interests	2,991	2,849

	Yen	
	Half year ended September 30, 2016	Half year ended September 30, 2017
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	6.90	6.25
Diluted	-	-

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

* Gain on sales of intangible assets and others are included in “other income”.

Three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Sales: (Note 4)		
Products	221,548	226,075
Post sales and rentals	237,784	248,880
Other revenue	24,405	31,342
Total sales	483,737	506,297
Cost of sales:		
Products	(169,313)	(177,181)
Post sales and rentals	(112,560)	(118,209)
Other revenue	(13,477)	(20,475)
Total cost of sales	(295,350)	(315,865)
Gross profit	188,387	190,432
Selling, general and administrative expenses (Note 8)	(183,623)	(188,557)
Other income	916	1,210
Operating profit	5,680	3,085
Finance income	1,645	1,101
Finance costs	(2,476)	(3,238)
Share of profit (loss) of investments accounted for using the equity method	48	10
Profit before income tax expenses	4,897	958
Income tax expenses	(3,291)	(5,800)
Profit for the period	1,606	(4,842)
Profit attributable to:		
Owners of the parent	231	(6,269)
Non-controlling interests	1,375	1,427

	Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Earnings per share (attributable to owners of the parent): (Note 9)		
Basic	0.32	(8.65)
Diluted	-	-

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

* Gain on sales of intangible assets and others are included in “other income”.

Condensed Consolidated Statement of Comprehensive Income

Ricoh Company, Ltd. and Consolidated Subsidiaries

Half year ended September 30, 2016 and 2017

	Millions of Yen	
	Half year ended September 30, 2016	Half year ended September 30, 2017
Profit for the period	7,993	7,376
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	(477)	2,456
Net gain (loss) on fair value of cash flow hedges	(833)	136
Exchange differences on translation of foreign operations	(80,921)	33,102
Total components that will be reclassified subsequently to profit or loss	(82,231)	35,694
Total other comprehensive income (loss)	(82,383)	35,694
Comprehensive income (loss)	(74,390)	43,070
Comprehensive income (loss) attributable to:		
Owners of the parent	(76,782)	40,215
Non-controlling interests	2,392	2,855

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

Three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Profit for the period	1,606	(4,842)
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	(481)	5,698
Net gain (loss) on fair value of cash flow hedges	290	83
Exchange differences on translation of foreign operations	(10,768)	15,309
Total components that will be reclassified subsequently to profit or loss	(10,959)	21,090
Total other comprehensive income (loss)	(11,111)	21,090
Comprehensive income (loss)	(9,505)	16,248
Comprehensive income (loss) attributable to:		
Owners of the parent	(10,909)	14,824
Non-controlling interests	1,404	1,424

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, 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

(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, 2017	135,364	186,423	(37,318)	-	34,330	73
Profit for the period						
Other comprehensive income (loss)				-	2,425	63
Comprehensive income	-	-	-	-	2,425	63
Net change in treasury stock			(4)			
Dividends declared and approved to owners (Note 6)						
Transfer from other components of equity to retained earnings				-		
Acquisition of non-controlling interests						
Total transactions with owners	-	-	(4)	-	-	-
Balance as of September 30, 2017	135,364	186,423	(37,322)	-	36,755	136

	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, 2017	65,791	100,194	657,443	1,042,106	74,771	1,116,877
Profit for the period			4,527	4,527	2,849	7,376
Other comprehensive income (loss)	33,200	35,688		35,688	6	35,694
Comprehensive income	33,200	35,688	4,527	40,215	2,855	43,070
Net change in treasury stock				(4)		(4)
Dividends declared and approved to owners (Note 6)			(9,061)	(9,061)	(440)	(9,501)
Transfer from other components of equity to retained earnings			-	-		-
Acquisition of non-controlling interests				-		-
Total transactions with owners	-	-	(9,061)	(9,065)	(440)	(9,505)
Balance as of September 30, 2017	98,991	135,882	652,909	1,073,256	77,186	1,150,442

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, 2016	Half year ended September 30, 2017
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	7,993	7,376
Adjustments to reconcile profit for the period to net cash provided by operating activities -		
Depreciation and amortization	52,270	55,095
Other income	(1,619)	(8,346)
Share of profit (loss) of investments accounted for using the equity method	(51)	(34)
Finance income and costs	1,307	4,277
Income tax expenses	7,301	10,396
Decrease in trade and other receivables	22,752	14,723
Increase in inventories	(14,205)	(6,276)
Increase in lease receivables	(13,919)	(13,400)
Decrease in trade and other payables	(11,862)	(27,867)
Decrease in accrued pension and retirement benefits	(6,423)	(5,355)
Other, net	(5,194)	14,836
Interest and dividends received	2,057	1,841
Interest paid	(2,663)	(3,301)
Income taxes paid	(10,426)	(35,127)
Net cash provided by (used in) operating activities	27,318	8,838
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	1,352	12,181
Expenditures for property, plant and equipment	(35,924)	(28,388)
Proceeds from sales of intangible assets	-	3,745
Expenditures for intangible assets	(12,615)	(14,290)
Payments for purchases of available-for-sale securities	(184)	(239)
Proceeds from sales of available-for-sale securities	473	32
Decrease in time deposits	203	8,527
Purchase of business, net of cash acquired	(287)	(459)
Other, net	(5,855)	(1,181)
Net cash provided by (used in) investing activities	(52,837)	(20,072)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (repayments) of short-term debt	(1,588)	14,106
Proceeds from long-term debt	143,670	59,769
Repayments of long-term debt	(97,019)	(38,293)
Proceeds from issuance of bonds (Note 5)	31,567	43,285
Repayments of bonds (Note 5)	(10,000)	(30,000)
Dividends paid (Note 6)	(12,686)	(9,061)
Payments for purchase of treasury stock	(3)	(4)
Other, net	(425)	(440)
Net cash provided by (used in) financing activities	53,516	39,362
IV. EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(11,306)	2,150
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	16,691	30,278
VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	167,547	126,429
VII. CASH AND CASH EQUIVALENTS AT END OF PERIOD	184,238	156,707

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, 2017 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 Office Printing, including MFPs & copiers, related parts & supplies, services & solutions, Office Service, including personal computers, servers, network related services, Commercial Printing, including cut sheet printers, Industrial Printing, including inkjet heads, Thermal Media, including thermal media and Other, including digital cameras (see Note 4 “Operating Segments”).

Ricoh redefined business region from April 1, 2017 which 19th Mid-term Management Plan starts. Based on this redefinition, Ricoh has changed Operating Segment Information from this fiscal year. Prior year comparative figures have also been reclassified to conform to the current year's presentation.

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, 2017 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
IAS 7	Statement of Cash Flow	Requirement for disclosure of changes in liabilities arising from financing activities

4. OPERATING SEGMENTS

Ricoh redefined business region from April 1, 2017 which 19th Mid-term Management Plan starts. Based on this redefinition, Ricoh has changed Operating Segment Information from this fiscal year. Prior year comparative figures have also been reclassified to conform to the current year's presentation. Intersegment transactions increased due to subdivision of segment information. Intersegment transactions are mainly sales from Other segment to Office Printing.

The content of changes in Operating Segment Information is as follows;

Conventional Segment		Products & Services
Imaging & Solutions	Office Imaging	MFPs (multifunctional printers), copiers, laser printers, digital duplicators, facsimile, scanners, related parts & supplies, services, support and software
	Network System Solutions	Personal computers, servers, network equipment, related services, support and software
	Production Printing	Cut sheet printers, continuous feed printers, related parts & supplies, services, support and software
Industrial Products		Thermal media, optical equipment, electronic components, semiconductor devices and inkjet heads
Other		Digital cameras

New Segment	Products & Services
Office Printing	MFPs (multifunctional printers), copiers, laser printers, digital duplicators, wide format, facsimile, scanners, related parts & supplies, services, support and software
Office Service	Personal computers, servers, network equipment, related services, support, software and service & solutions related to document
Commercial Printing	Cut sheet printers, continuous feed printers, related parts & supplies, services, support and software
Industrial Printing	Inkjet heads, imaging systems and industrial printers
Thermal Media	Thermal media
Other	Optical equipment, electronic components, semiconductor devices, digital cameras, industrial cameras, 3D printing, environment and healthcare

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 three months ended September 30, 2016 and 2017. Intersegment transactions are made at arm's-length prices. No single customer accounted for 10% or more of the total sales for the three months ended September 30, 2016 and 2017.

(a) Operating Segment Information

Half year ended September 30, 2016 and 2017

	Millions of Yen	
	Half year ended September 30, 2016	Half year ended September 30, 2017
Segment sales:		
Office Printing	570,544	559,370
Office Service	194,043	212,077
Commercial Printing	85,868	90,584
Industrial Printing	5,421	8,895
Thermal Media	27,497	29,418
Other	125,149	132,891
Intersegment sales	(37,079)	(34,398)
Total segment sales	971,443	998,837
Segment profit (loss):		
Office Printing	54,849	50,720
Office Service	(4,224)	(2,540)
Commercial Printing	4,828	11,449
Industrial Printing	(1,833)	(983)
Thermal Media	2,937	2,881
Other	5,155	2,105
Total segment profit	61,712	63,632
Reconciling items:		
Corporate expenses and elimination	(45,162)	(41,617)
Finance income	3,450	1,903
Finance costs	(4,757)	(6,180)
Share of profit (loss) of investments accounted for using equity method	51	34
Profit before income tax expenses	15,294	17,772

Three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Segment sales:		
Office Printing	277,583	274,738
Office Service	101,105	113,632
Commercial Printing	43,103	44,886
Industrial Printing	2,997	4,570
Thermal Media	13,679	14,905
Other	64,422	71,306
Intersegment sales	(19,152)	(17,740)
Total segment sales	483,737	506,297
Segment profit (loss):		
Office Printing	26,524	19,321
Office Service	(3,598)	(2,112)
Commercial Printing	2,947	4,284
Industrial Printing	(1,181)	(860)
Thermal Media	1,332	1,130
Other	2,644	2,125
Total segment profit	28,668	23,888
Reconciling items:		
Corporate expenses and elimination	(22,988)	(20,803)
Finance income	1,645	1,101
Finance costs	(2,476)	(3,238)
Share of profit (loss) of investments accounted for using equity method	48	10
Profit before income tax expenses	4,897	958

(b) Geographic Information

Sales based on the location of customers are as follows:

Half year ended September 30, 2016 and 2017

	Millions of Yen	
	Half year ended September 30, 2016	Half year ended September 30, 2017
Sales:		
Japan	364,791	385,116
The Americas	292,845	288,062
Europe, Middle East and Africa	220,928	224,158
Other	92,879	101,501
Consolidated	971,443	998,837
The United States (included in The Americas)	247,265	239,960

Three months ended September 30, 2016 and 2017

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Sales:		
Japan	185,690	198,402
The Americas	147,236	141,900
Europe, Middle East and Africa	104,390	113,241
Other	46,421	52,754
Consolidated	483,737	506,297
The United States (included in The Americas)	125,008	117,268

5. BONDS

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).

As for the half year ended September 30, 2017, there were issuances of straight bonds of ¥15,000 million (0.05% per annum, due July 2020), ¥10,000 million (0.16% per annum, due July 2022), ¥5,000 million (0.35% per annum due July 2027) and EURO 100 million (¥13,285 million) (0.35% per annum, due July 2020). There were repayments of straight bonds of ¥20,000 million (0.88% per annum, due June 2017) and ¥10,000 million (0.15%, due July 2017).

6. DIVIDENDS

(a) Dividends paid during the half year ended September 30, 2016 and 2017 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 17, 2016	Ordinary shares	12,686	17.5	March 31, 2016	June 20, 2016	Retained earnings
Ordinary general meeting of shareholders held on June 16, 2017	Ordinary shares	9,061	12.5	March 31, 2017	June 19, 2017	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 27, 2016	Ordinary shares	16,310	22.5	September 30, 2016	December 1, 2016	Retained earnings
Board of Directors' meeting held on October 30, 2017	Ordinary shares	5,437	7.5	September 30, 2017	December 1, 2017	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, 2017		As of September 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair Value
Assets:				
Trade receivables	94,964	99,231	105,356	110,090
Lease receivables	810,191	835,283	837,039	862,531
Installment loans	120,311	120,820	122,519	123,037
Derivative assets	1,673	1,673	1,492	1,492
Securities	80,141	80,141	84,434	84,434
Bonds	1,438	1,438	1,359	1,359
Total	1,108,718	1,138,586	1,152,199	1,182,943
Liabilities:				
Derivative liabilities	(2,444)	(2,444)	(1,110)	(1,110)
Loans and borrowings	(629,799)	(628,380)	(678,088)	(676,772)
Lease liabilities	(1,961)	(2,026)	(2,569)	(2,655)
Total	(634,204)	(632,850)	(681,767)	(680,537)

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

The fair value of the receivables expected not to be recovered or settled in a short period per each receivable classified per certain business type is calculated based on the 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 3 under the fair value measurement and disclosure framework.

(iii) Lease receivables and installment loans

The fair value of lease receivables and installment loans per each receivable classified per certain period is calculated based on the 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 3 under the fair value measurement and disclosure framework.

(iv) Derivatives

Derivative instruments consist of foreign currency contracts and interest rate swap agreements. The fair values of these instruments are measured mainly 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.

The fair value of loans, borrowings and lease liabilities are calculated from estimated present values 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, 2017			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	1,673	-	1,673
Securities	76,943	-	3,198	80,141
Bonds	1,438	-	-	1,438
Total assets	78,381	1,673	3,198	83,252
Derivative liabilities	-	2,444	-	2,444
Total liabilities	-	2,444	-	2,444

	Millions of Yen			
	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	1,492	-	1,492
Securities	81,207	-	3,227	84,434
Bonds	1,359	-	-	1,359
Total assets	82,566	1,492	3,227	87,285
Derivative liabilities	-	1,110	-	1,110
Total liabilities	-	1,110	-	1,110

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, 2016 and 2017:

	Millions of Yen	
	Half year ended September 30, 2016	Half year ended September 30, 2017
Research and development expenses	50,001	46,701
Shipping and handling costs	12,778	13,683
Advertising costs	4,328	3,747

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Research and development expenses	26,237	25,185
Shipping and handling costs	6,305	6,901
Advertising costs	2,416	2,192

9. EARNINGS PER SHARE

Earnings per share are as follows.

Diluted net income per share for the half year ended September 30, 2016 and 2017 is omitted because the Company did not have potentially dilutive common shares that were outstanding for the period.

	Half year ended September 30, 2016	Half year ended September 30, 2017
Profit attributable to owners of the parent (millions of yen)	5,002	4,527
Weighted average number of issued and outstanding shares (thousands of shares)	724,887	724,879
Earnings per share (attributable to owners of the parent) (yen)	6.90	6.25

	Three months ended September 30, 2016	Three months ended September 30, 2017
Profit attributable to owners of the parent (millions of yen)	231	(6,269)
Weighted average number of issued and outstanding shares (thousands of shares)	724,887	724,878
Earnings per share (attributable to owners of the parent) (yen)	0.32	(8.65)

10. CAPITAL COMMITMENTS AND CONTINGENCIES

As of March 31, 2017 and September 30, 2017, Ricoh had outstanding contractual commitments for acquisition or construction of property, plant and equipment and other assets aggregating ¥13,004 million and ¥7,049 million.

As of March 31, 2017 and September 30, 2017, there were no significant contingent liabilities.

As of September 30, 2017, 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

Change in the restructuring support for an overseas affiliated company

The company has announced on October 27, 2017 that the company decided to change our assistance policy for our consolidated subsidiary, Ricoh India Limited (referred to as Ricoh India from here). Until now, the company has offered various forms of support to rebuild Ricoh India. However, in continued deficit, Ricoh India's relationship with its major vendor deteriorated, so the company has reevaluated the restructuring plan and our support for Ricoh India. As a result, under the current circumstances, the company has made the resolution not to provide any additional financial support going forward, in order to minimize the consolidated losses of the Ricoh Group at the Board of Directors Meeting which held on October 27, 2017.

By request of the Company, some banks located in Japan have issued a standby L/C(*) to underwrite the debt of our consolidated subsidiary, Ricoh India for local banks. These banks in Japan have the right to request compensation from the company, if the request is made by local banks in India and the payment based on the standby L/C. Relating for this, some local banks called on the standby L/C, and correspondingly the banks in Japan have requested compensation from the company. Consequently, the company recognized the possibility of increasing losses related to this loan guarantee, thus allocating 23.1 billion yen, which is the full amount of the standby L/C, in extraordinary losses in its non-consolidated financial results. This is a repayment of Bonds and borrowing in liabilities on Condensed consolidated statement of financial position.

(*) Standby L/C is a Letter of Credit whereby a bank guarantees the payment of debt.

Ricoh anticipated losses arising from changing in the restructuring support for Ricoh India of 30.0 billion yen. This anticipations are based on information available to and certain assumptions made by Ricoh as at to date, and there can be no assurance that the relevant forecasts will be achieved. Please note that significant differences between the forecasts and actual results may arise from various factors in the future.

Conclusion of Agreement to Transfer Shares of Ricoh Electronic Devices Co., Ltd.

The company concluded a share transfer agreement today following the resolution to transfer 80% of the outstanding shares of Ricoh Electronic Devices Co., Ltd. (referred to as Ricoh Electronic Devices from here), its consolidated subsidiary, to Nisshinbo Holdings Inc. (referred to as Nisshinbo Holdings from here), made at a Board of Directors' meeting held on October 30, 2017.

Based on this conclusion, assets and liabilities which relates to Ricoh Electronic Devices Co., Ltd. and included as Other segment in Operating segments will be recognized as "Assets classified as held for

sale“ and “Liabilities directly associated with assets classified as held for sales” until the shares would be transferred.

The transfer of the shares, which is subject to the approval of the relevant authorities, will eventually take place by around March 1, 2018. As a result of the share transfer, Ricoh Electronic Devices will be an affiliated company accounted for by using the equity method.

1. Purpose of the share transfer

Advocating RICOH Resurgent in the 19th Mid-Term Management Plan, a three-year plan that launched in fiscal 2017, the Company has been working on the implementation of structural reforms, the prioritization of growth businesses, and the reinforcement of management systems. Efforts have also been made to improve the competitiveness of the analog semiconductor business carried out by Ricoh Electronic Devices by introducing capital, resources and expertise through collaborations with operating companies in the same business.

Nisshinbo Holdings, whose subsidiaries include New Japan Radio Co., Ltd., which operates its business with a focus on semiconductors and microwaves, provides a range of products such as general-purpose linear ICs and microwave equipment. Nisshinbo Holdings is working on growth strategies by allocating management resources selectively to automotive and super-smart society-related businesses under the slogan of taking challenges towards a new era of technological innovation and super-smart societies.

The share transfer has been agreed based on the decision that synergies generated by combining the expertise of the analog semiconductor business and the customer base developed and built by Nisshinbo Holdings and the analog semiconductor business of Ricoh Electronic Devices are effective for the sustainable growth and the increasing corporate value of Ricoh Electronic Devices in the future.

2. Overview of the changing subsidiary (Ricoh Electronic Devices Co., Ltd.)

(1) Corporate Name	Ricoh Electronic Devices Co., Ltd.	
(2) Business	Development, manufacturing and sales of electronic device products, OEM design services for electronic devices, and OEM manufacturing services for electronic devices	
(3) Relationship with the Company	Capital relationship	The company holds 100% shares
	Personnel relationship	From the company, 3 directors and 1 auditor to Ricoh Electronic Devices
	Transactional relationship	Ricoh Electronic Devices provides electronic devices to the company.

3. Overview of the party to which shares will be transferred

(1) Corporate Name	Nisshinbo Holdings Inc.
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4. Number of shares to be transferred, transfer price and ownership of shares before and after the transfer.

(1) Number of shares held before the transfer	200 shares (number of voting right: 200, equity ownership: 100%)
(2) Number of shares to be transferred	160 shares (number of voting right: 160, equity ownership: 80%)
(3) Transfer price	Transfer price is not disclosed due to an agreement with Nisshinbo Holdings to which the shares will be transferred. Also, the transfer price was calculated upon mutual consultation. It was regarded as fair value at the companies' board meeting where external directors and external auditors were present.
(4) Number of shares to be held after the transfer	40 shares (number of voting right: 40, equity ownership: 20%)

5. Schedule

(1) Conclusion of agreement	October 30, 2017
(2) Share Transfer and Assignment of Receivables	March 1, 2018 (planned)

6. Future outlook

The impact of the share transfer has been deemed immaterial with respect to consolidated operating results for the full year ending March 2018.

12. AUTHORIZATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were authorized for issue by Yoshinori Yamashita, Representative Director and President, and Akira Oyama, Director and Corporate Executive Vice President, on November 9, 2017.