

Consolidated Financial Results
for the Six Months of the Fiscal Year Ending March 31, 2017
<under Japanese GAAP>

Company name: **RISO KAGAKU CORPORATION**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6413
 URL: <http://www.riso.co.jp/english/>
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Scheduled date to file Quarterly Report: November 9, 2016
 Scheduled date of dividend payment commencement: –
 Preparation of supplementary information on quarterly business results: Yes
 Holding of briefing on quarterly business results: Yes (for analysts, in Japanese)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the six months of the fiscal year ending March 31, 2017
(from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2016	38,590	(5.4)	1,625	(40.6)	1,721	(36.2)	1,125	(39.2)
September 30, 2015	40,785	1.7	2,738	(4.7)	2,699	(12.1)	1,849	(16.5)

Note: Comprehensive Income

Six months ended September 30, 2016: (389) million yen / – %

Six months ended September 30, 2015: 1,518 million yen / (49.7)%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2016	29.18	–
September 30, 2015	46.20	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2016	84,509	61,656	73.0
March 31, 2016	91,669	65,879	71.9

Reference: Shareholders' Equity As of September 30, 2016: 61,656 million yen As of March 31, 2016: 65,879 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	–	0.00	–	60.00	60.00
Fiscal year ending March 31, 2017	–	0.00			
Fiscal year ending March 31, 2017 (Forecasts)			–	60.00	60.00

Note: Revisions to the forecasts of cash dividends in the current quarter: None

3. Forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2017	80,700	(5.6)	3,400	(48.1)	3,500	(46.0)	2,600	(50.6)	67.92

Note: Revisions to the forecasts in the current quarter: Yes

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of peculiar accounting methods for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement
- Changes due to revisions to accounting standards and other regulations: Yes
 - Changes due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None

Note: For details, please see page 4, (Changes in accounting policies, changes in accounting estimates and restatement).

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2016	47,406,332 shares
As of March 31, 2016	47,406,332 shares

- b. Number of treasury stock at the end of the period

As of September 30, 2016	9,420,451 shares
As of March 31, 2016	8,518,192 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended September 30, 2016	38,570,734 shares
Three months ended September 30, 2015	40,042,602 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of the forecasts, and other special matters

The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company. These statements do not purport that the Company pledges to achieve such performance. Actual business may differ substantially from the forecasts due to various factors in the future.

* How to obtain quarterly financial results briefing materials

The Company plans to hold a briefing for securities analysts on November 8, 2016. The briefing material and quarterly financial results used on that day will be made available on the Company's website after the briefing.

Attached Materials

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1. Qualitative Information regarding Consolidated Results for the Six Months

(1) Explanation on consolidated operating results

The RISO Group (RISO) has been following its medium-term management policy of “accomplishing the growth of RISO MIF by taking full advantage of RISO’s utmost unique products to ensure a stable revenue & profit growth”.

Concerning RISO’s consolidated operating results for the current six months, in the printing equipment business, sales remained firm in the inkjet business as a result of the introduction of new products. Net sales declined due to the effects of exchange rates. Furthermore, operating income fell below that in the corresponding period of the previous year because of increases in depreciation and sales expenses, both of which were due to the introduction of new products, and because of the effects of exchange rates. Net sales was 38,590 million yen (down 5.4% year on year), operating income was 1,625 million yen (down 40.6% year on year), ordinary income was 1,721 million yen (down 36.2% year on year) and profit attributable to the owners of parent was 1,125 million yen (down 39.2% year on year).

The average exchange rates during the current consolidated six months period were 105.29 yen (a 16.51 yen appreciation of the yen year on year) for the US dollar and 118.15 yen (a 16.92 yen appreciation of the yen year on year) for the euro.

Results by segment are as follows:

a. Printing equipment business

RISO, as part of its printing equipment business, engages in the inkjet business, principally with its ORPHIS high-speed color printers, as well as the digital duplicating business, consisting mainly of its RISOGRAPH digital duplicators.

Net sales for the printing equipment business were 38,011 million yen (down 5.2% year on year). Operating income was 1,535 million yen (down 41.6% year on year).

Japan

In the inkjet business, hardware sales exceeded the previous year’s level and net sales increased. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 22,700 million yen (up 1.3% year on year). Operating income was 1,221 million yen (down 41.7% year on year) due to increases in depreciation and sales expenses, both of which were associated with the introduction of new products.

The Americas

In the inkjet business, sales of both hardware and consumables increased. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 2,721 million yen (down 15.7% year on year), due to the effects of exchange rates. Operating losses were 183 million yen (compared to operating losses of 25 million yen in the same period of the previous fiscal year).

Europe

In the inkjet business, due to a decrease in sales of hardware, net sales fell below the previous year’s level. In the digital duplicating business, net sales slightly exceeded the previous year’s level. Overall sales were 6,278 million yen (down 17.5% year on year), due to the effects of exchange rates. Operating income was 146 million yen (down 51.2% year on year).

Asia

In the inkjet business, sales in China and India remained strong, and net sales thus increased. In the digital duplicating business, net sales slightly exceeded the previous year’s level. Overall sales were 6,311 million yen (down 7.8% year on year), due to the effects of exchange rates. Due to the contribution from higher sales in the inkjet business, operating income was 350 million yen (up 33.7% year on year).

b. Real estate business and others

RISO operates a real estate business as well as a print creating business. Net sales in the real estate and others were 578million yen (down15.6% year on year), and operating income was 89million yen (down16.9% year on year).

(2) Explanation on consolidated financial position

The financial position of RISO at the end of the current quarter compared to the end of the previous fiscal year is as follows.

Total assets fell 7,159 million yen to 84,509 million yen, while net assets fell 4,223 million yen to 61,656 million yen. As a result, the equity ratio moved up 1.1 points to 73.0%.

The main changes in the assets portion include an increase of 638 million yen in Merchandise and finished goods, in contrast to decreases of 1,166 million yen in cash and deposits, 3,108 million yen in notes and accounts receivable-trade and 2,530 million yen in short-term investment securities. In the liabilities portion, there were decreases of 416 million yen in income taxes payable, 1,443 million yen in other of Current liabilities and 510 million yen in net defined benefit liability.

(Cash flows)

Net cash provided by operating activities was 2,541 million yen (down 36.4% year on year). This is mainly attributable to income before income taxes and minority interests of 1,721 million yen, depreciation and amortization of 2,005 million yen, a decrease in notes and accounts receivable-trade of 2,061 million yen, an increase in notes and accounts payable-trade of 594 million yen, an increase in inventories of 1,226 million yen, a decrease in accounts payable-other of 501 million yen and taxes paid of 934 million yen.

Net cash used in investing activities was 1,422 million yen (up 39.8% year on year). This is primarily the result of the expenses of 1,498 million yen for the purchase of property, plant and equipment.

Net cash used in financing activities was 3,916 million yen (up 6.7% year on year). The result mainly reflects net decrease of 1,499 million yen for the purchase of treasury stock and payments of 2,332 million yen for cash dividends.

(3) Explanation on future estimates information pertaining to consolidated earnings forecasts

The consolidated forecasts for the fiscal year ending March 31, 2017, which were released on May 9, 2016, are changed as follows.

Changes to the full-year forecast figures for the fiscal year ending March 31, 2017
(April 1, 2016 to March 31, 2017)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecasts	82,000	4,000	4,000	2,800	72.00 yen
Revised forecasts	80,700	3,400	3,500	2,600	67.92 yen
Difference	(1,300)	(600)	(500)	(200)	–
Percentage change	(1.6)	(15.0)	(12.5)	(7.1)	–
(Reference) Actual results of the fiscal year ended March 31, 2016	85,454	6,551	6,476	5,267	132.88 yen

Reasons for changes

In order to reflect the operating results for the current six months and future business environment, full-year net sales, operating income, ordinary income and profit attributable to owners of parent were each revised downwards.

Foreign exchange rates for the full year in the outlook for the projected results are assumed to be 103 yen and 116 yen for the US dollar and the euro, respectively.

2. Matters Regarding Summary Information (Notes)

(1) Changes in accounting policies, changes in accounting estimates and restatement

Changes in accounting policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In conjunction with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) Solution No. 32, June 17, 2016), effective from the first quarter under review, and has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

This change in accounting policy has minimal impact on the Company’s profit/loss for the second quarter under review.

(2) Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Revised Implementation Guidance on Recoverability of Deferred tax Assets” (ASBJ Guidance No. 26, March 28, 2016), effective from the first quarter under review.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	16,943	15,776
Notes and accounts receivable-trade	15,257	12,149
Short-term investment securities	3,430	900
Merchandise and finished goods	7,740	8,378
Work in process	730	659
Raw materials and supplies	2,728	2,543
Deferred tax assets	2,305	1,971
Other	2,102	2,103
Allowance for doubtful accounts	(300)	(246)
Total current assets	50,938	44,237
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,928	20,826
Accumulated depreciation	(12,226)	(12,506)
Buildings and structures, net	8,701	8,320
Machinery, equipment and vehicles	6,216	6,213
Accumulated depreciation	(4,772)	(4,840)
Machinery, equipment and vehicles, net	1,444	1,373
Tools, furniture and fixtures	16,910	17,292
Accumulated depreciation	(15,103)	(15,102)
Tools, furniture and fixtures, net	1,806	2,189
Land	15,921	15,902
Lease assets	413	388
Accumulated depreciation	(192)	(183)
Lease assets, net	221	205
Construction in progress	378	240
Other	10,121	10,370
Accumulated depreciation	(6,252)	(6,215)
Other, net	3,869	4,154
Total property, plant and equipment	32,343	32,386
Intangible assets		
Goodwill	83	66
Software	1,582	1,374
Other	1,006	842
Total intangible assets	2,671	2,283
Investments and other assets		
Investment securities	1,604	1,603
Long-term loans receivable	54	35
Deferred tax assets	969	1,009
Other	3,137	2,996
Allowance for doubtful accounts	(51)	(43)
Total investments and other assets	5,715	5,601
Total noncurrent assets	40,730	40,271
Total assets	91,669	84,509

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,538	10,252
Short-term loans payable	1,620	1,400
Current portion of long-term loans payable	1	1
Income taxes payable	907	490
Provision for bonuses	1,676	1,700
Provision for directors' bonuses	75	28
Provision for product warranties	33	33
Other	7,345	5,902
Total current liabilities	22,198	19,808
Noncurrent liabilities		
Long-term loans payable	18	18
Net defined benefit liability	3,130	2,619
Other	442	406
Total noncurrent liabilities	3,591	3,044
Total liabilities	25,789	22,853
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	50,287	49,079
Treasury stock	(11,675)	(13,175)
Total shareholders' equity	67,506	64,798
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	137	144
Foreign currency translation adjustment	(246)	(1,872)
Remeasurements of defined benefit plans	(1,518)	(1,415)
Total accumulated other comprehensive income	(1,627)	(3,142)
Total net assets	65,879	61,656
Total liabilities and net assets	91,669	84,509

(2) Consolidated quarterly statements of (comprehensive) income

(Consolidated quarterly statements of income)

	(Millions of yen)	
	Second Quarter ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Second Quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net sales	40,785	38,590
Cost of sales	16,879	16,145
Gross profit	23,906	22,445
Selling, general and administrative expenses	21,168	20,819
Operating income	2,738	1,625
Non-operating income		
Interest income	64	50
Dividends income	24	25
Other	122	109
Total non-operating income	211	185
Non-operating expenses		
Interest expenses	33	30
Foreign exchange losses	164	21
Loss on retirement of noncurrent assets	22	17
Other	30	19
Total non-operating expenses	250	89
Ordinary income	2,699	1,721
Extraordinary income		
Settlement received	243	-
Total extraordinary income	243	-
Profit (loss) before income taxes	2,943	1,721
Income taxes	1,093	595
Profit	1,849	1,125
Profit attributable to owners of parent	1,849	1,125

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Second Quarter ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Second Quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Profit	1,849	1,125
Other comprehensive income		
Valuation difference on available-for-sale securities	34	7
Foreign currency translation adjustment	(359)	(1,625)
Remeasurements of defined benefit plans	(5)	103
Total other comprehensive income	(331)	(1,515)
Comprehensive income	1,518	(389)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,518	(389)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Second Quarter ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Second quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,943	1,721
Depreciation and amortization	1,439	2,005
Amortization of goodwill	7	5
Increase (decrease) in net defined benefit liability	(620)	(345)
Increase (decrease) in allowance for doubtful accounts	(32)	(32)
Interest and dividends income	(89)	(76)
Interest expenses	33	30
Foreign exchange losses (gains)	(81)	233
Decrease (increase) in notes and accounts receivable-trade	2,529	2,061
Decrease (increase) in inventories	796	(1,226)
Increase (decrease) in notes and accounts payable-trade	(1,113)	594
Increase (decrease) in accounts payable-other	(913)	(501)
Other, net	(426)	(1,041)
Subtotal	4,470	3,430
Interest and dividends income received	88	75
Interest expenses paid	(32)	(30)
Income taxes paid	(528)	(934)
Net cash provided by (used in) operating activities	3,997	2,541
Net cash provided by (used in) investing activities		
Payments into time deposits	(953)	(2,948)
Proceeds from withdrawal of time deposits	1,243	3,142
Purchase of property, plant and equipment	(773)	(1,498)
Proceeds from sales of property, plant and equipment	9	38
Purchase of intangible assets	(246)	(234)
Collection of loans receivable	9	0
Payments for transfer of business	(311)	-
Other, net	5	76
Net cash provided by (used in) investing activities	(1,017)	(1,422)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(308)	(39)
Repayment of long-term loans payable	(8)	(0)
Purchase of treasury stock	(1,499)	(1,499)
Cash dividends paid	(1,816)	(2,332)
Other, net	(38)	(42)
Net cash provided by (used in) financing activities	(3,671)	(3,916)
Effect of exchange rate change on cash and cash equivalents	(77)	(711)
Net increase (decrease) in cash and cash equivalents	(769)	(3,508)
Cash and cash equivalents at beginning of period	18,127	19,388
Cash and cash equivalents at end of period	17,357	15,879

(4) Notes on quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

The company purchased treasury stock during the current second quarter. As a result, treasury stock increased 1,499 million yen during the second quarter and amounted to 13,175 million yen at the end of the current second quarter.

(Segment information)

1. Second quarter ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	22,419	3,227	7,609	6,844	40,100	685	40,785
Segment income (loss)	2,093	(25)	300	262	2,630	107	2,738

Notes: 1. Real estate business and others includes real estate business, print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The AmericasU.S. and Canada
- (2) EuropeGermany, United Kingdom and France
- (3) Asia.....China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.

2. Second quarter ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	22,700	2,721	6,278	6,311	38,011	578	38,590
Segment income (loss)	1,221	(183)	146	350	1,535	89	1,625

Notes: 1. Real estate business and others includes real estate business and print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The AmericasU.S. and Canada
- (2) EuropeGermany, United Kingdom and France
- (3) Asia.....China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.

(Subsequent event)

(Purchase of Treasury Stock)

Riso Kagaku Corporation (the “Company”) announced that its Board of Directors resolved at the meeting held on November 2, 2016 to purchase treasury stock as described below, pursuant to the provisions of Article 156 of the Corporate Law as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Law.

- | | |
|--|---|
| (1) Reason for purchase of treasury stock: | The Company will conduct the purchase of treasury stock to carry out capital management that allows the Company to respond quickly to changes in the business environment and to distribute earnings to shareholders. |
| (2) Type of shares to be purchased: | Common stock of the Company |
| (3) Number of shares to be purchased: | Up to 500,000 shares |
| (4) Total purchase cost: | Up to 700,000,000 yen |
| (5) Purchase period: | From November 15, 2016 to December 16, 2016 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |