

Consolidated Financial Results
for the Nine 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/>
Representative: Akira Hayama, President & CEO
Inquiries: Kihachiro Endo, Managing Director and General Manager of Corporate Headquarters
TEL: +81-3-5441-6611 (from overseas)

Scheduled date to file Quarterly Report: February 14, 2017
Scheduled date of dividend payment commencement: –
Preparation of supplementary information on quarterly business results: None
Holding of briefing on quarterly business results: None

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

1. Consolidated performance for the nine months of the fiscal year ending March 31, 2017
(from April 1, 2016 to December 31, 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	%
Nine months ended								
December 31, 2016	58,204	(4.7)	1,914	(54.0)	2,208	(46.7)	1,409	(48.0)
December 31, 2015	61,059	0.2	4,165	(2.5)	4,141	(10.6)	2,707	(12.9)

Note: Comprehensive Income

Nine months ended December 31, 2016: 2,053 million yen / (6.9)%

Nine months ended December 31, 2015: 2,204 million yen / (55.9)%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
December 31, 2016	36.77	–
December 31, 2015	67.97	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2016	88,374	63,399	71.7
March 31, 2016	91,669	65,879	71.9

Reference: Shareholders' Equity As of December 31, 2016: 63,399 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)	68.15

Note: Revisions to the forecasts in the current quarter: None

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 3, (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 December 31, 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 December 31, 2016	9,780,085 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)

Nine months ended December 31, 2016	38,325,179 shares
Nine months ended December 31, 2015	39,841,498 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.

Attached Materials

Index

1. Qualitative Information regarding Consolidated Results for the Nine Months	2
(1) Explanation on consolidated operating results	2
(2) Explanation on consolidated financial position	3
(3) Explanation on future estimates information pertaining to consolidated earnings forecasts	3
(4) Explanation on research and development activities	3
2. Matters Regarding Summary Information (Notes)	3
(1) Changes in accounting policies, changes in accounting estimates and restatement	3
(2) Additional information	3
3. Consolidated Quarterly Financial Statements	4
(1) Consolidated quarterly balance sheets	4
(2) Consolidated quarterly statements of (comprehensive) income	6
(3) Notes on quarterly consolidated financial statements	8
(Notes on premise of going concern)	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Segment information)	8
(Subsequent event)	9

1. Qualitative Information regarding Consolidated Results for the Nine 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 nine months, in the printing equipment business, sales remained favorable 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 58,204 million yen (down 4.7% year on year), operating income was 1,914 million yen (down 54.0% year on year), ordinary income was 2,208 million yen (down 46.7% year on year) and profit attributable to the owners of parent was 1,409million yen (down 48.0% year on year).

The average exchange rates during the current consolidated nine months period were 106.63yen (a 15.07yen appreciation of the yen year on year) for the US dollar and118.02 yen (a 16.34 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 57,331 million yen (down4.5% year on year). Operating income was 1,790million yen (down 55.1% year on year).

Japan

In the inkjet business, the introduction of new products led to favorable sales and an increase in net sales. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 33,403 million yen (up 1.4 % year on year). Operating income was 1,961 million yen (down 39.1% 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 were favorable partly due to the introduction of new products, leading to an increase in net sales. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 4,137 million yen (down 11.2% year on year), due to the effects of exchange rates. Operating losses were 374million yen (compared to operating losses of 165 million yen in the same period of the previous fiscal year).

Europe

In the inkjet business, sales were firm with the introduction of new products, and net sales increased. In the digital duplicating business, net sales slightly exceeded the previous year’s level. Overall sales were 9,846 million yen (down 14.7% year on year), due to the effects of exchange rates. Operating income was 7million yen (down 98.2% year on year), due to an increase in depreciation that was associated with the introduction of new products, and to the effects of exchange rates.

Asia

In the inkjet business, sales in China remained strong, and net sales thus increased. In the digital duplicating business, net sales remained nearly unchanged from the previous year. Overall sales were 9,943 million yen

(down 8.5% year on year), due to the effects of exchange rates. Operating income was 196 million yen (down 62.3% year on year), due to an increase in sales expenses and to the effects of exchange rates.

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 872million yen (down16.5% year on year), and operating income was 124million yen (down29.9% 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 3,294 million yen to 88,374 million yen, while net assets fell 2,480 million yen to 63,399 million yen. As a result, the equity ratio moved down 0.2 points to 71.7%.

The main changes in the assets portion include increases of 3,014 million yen in Merchandise and finished goods and 1,826 million yen in Land, in contrast to decreases of 1,194 million yen in cash and deposits, 3,405 million yen in notes and accounts receivable-trade and 2,530 million yen in short-term investment securities. In the liabilities portion, there was an increase of 2,031 million yen in notes and accounts payable-trade, in contrast to decreases of 845 million yen in income taxes payable and 806 million yen in provision for bonuses.

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

There has been no revision to the consolidated forecasts for the fiscal year ending March 31, 2017, which were released on November 2, 2016.

(4) Explanation on research and development activities

Expenses for RISO's research and development activities in the current nine months totaled 4,913 million yen. The main R&D activities were in the printing equipment business.

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 third 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 December 31, 2016
Assets		
Current assets		
Cash and deposits	16,943	15,748
Notes and accounts receivable-trade	15,257	11,852
Short-term investment securities	3,430	900
Merchandise and finished goods	7,740	10,754
Work in process	730	797
Raw materials and supplies	2,728	2,670
Deferred tax assets	2,305	1,870
Other	2,102	2,175
Allowance for doubtful accounts	(300)	(282)
Total current assets	50,938	46,487
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,928	21,052
Accumulated depreciation	(12,226)	(12,702)
Buildings and structures, net	8,701	8,350
Machinery, equipment and vehicles	6,216	6,328
Accumulated depreciation	(4,772)	(4,940)
Machinery, equipment and vehicles, net	1,444	1,388
Tools, furniture and fixtures	16,910	17,329
Accumulated depreciation	(15,103)	(15,547)
Tools, furniture and fixtures, net	1,806	1,781
Land	15,921	17,747
Lease assets	413	384
Accumulated depreciation	(192)	(182)
Lease assets, net	221	201
Construction in progress	378	31
Other	10,121	10,250
Accumulated depreciation	(6,252)	(6,310)
Other, net	3,869	3,939
Total property, plant and equipment	32,343	33,439
Intangible assets		
Goodwill	83	64
Software	1,582	1,265
Other	1,006	762
Total intangible assets	2,671	2,092
Investments and other assets		
Investment securities	1,604	2,174
Long-term loans receivable	54	33
Deferred tax assets	969	1,135
Other	3,137	3,054
Allowance for doubtful accounts	(51)	(43)
Total investments and other assets	5,715	6,354
Total noncurrent assets	40,730	41,886
Total assets	91,669	88,374

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,538	12,569
Short-term loans payable	1,620	1,518
Current portion of long-term loans payable	1	1
Income taxes payable	907	62
Provision for bonuses	1,676	870
Provision for directors' bonuses	75	40
Provision for product warranties	33	31
Other	7,345	6,810
Total current liabilities	22,198	21,904
Noncurrent liabilities		
Long-term loans payable	18	17
Net defined benefit liability	3,130	2,642
Other	442	409
Total noncurrent liabilities	3,591	3,070
Total liabilities	25,789	24,974
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	50,287	49,363
Treasury stock	(11,675)	(13,875)
Total shareholders' equity	67,506	64,382
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	137	668
Foreign currency translation adjustment	(246)	(288)
Remeasurements of defined benefit plans	(1,518)	(1,363)
Total accumulated other comprehensive income	(1,627)	(983)
Total net assets	65,879	63,399
Total liabilities and net assets	91,669	88,374

(2) Consolidated quarterly statements of (comprehensive) income**(Consolidated quarterly statements of income)**

	(Millions of yen)	
	Third Quarter ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Third Quarter ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Net sales	61,059	58,204
Cost of sales	25,036	24,775
Gross profit	36,023	33,428
Selling, general and administrative expenses	31,857	31,513
Operating income	4,165	1,914
Non-operating income		
Interest income	79	73
Dividends income	46	48
Foreign exchange gains	-	115
Other	183	170
Total non-operating income	309	408
Non-operating expenses		
Interest expenses	47	46
Foreign exchange losses	205	-
Loss on retirement of noncurrent assets	40	44
Other	39	23
Total non-operating expenses	333	114
Ordinary income	4,141	2,208
Extraordinary income		
Settlement received	243	-
Gain on sales of investment securities	163	-
Total extraordinary income	406	-
Extraordinary loss		
Impairment loss	157	128
Dismantlement expenses	57	-
Total extraordinary loss	215	128
Income before income taxes	4,333	2,079
Income taxes	1,625	670
Profit	2,707	1,409
Profit attributable to owners of parent	2,707	1,409

(Consolidated quarterly statements of comprehensive income)

	Third Quarter ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	(Millions of yen) Third Quarter ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Profit	2,707	1,409
Other comprehensive income		
Valuation difference on available-for-sale securities	50	531
Foreign currency translation adjustment	(544)	(41)
Remeasurements of defined benefit plans	(8)	154
Total other comprehensive income	(503)	644
Comprehensive income	2,204	2,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,204	2,053
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 third quarter. As a result, treasury stock increased 2,200 million yen during the third quarter and amounted to 13,875 million yen at the end of the current third quarter.

(Segment information)

1. Third quarter ended December 31, 2015 (from April 1, 2015 to December 31, 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	32,947	4,658	11,537	10,870	60,014	1,045	61,059
Segment income (loss)	3,223	(165)	407	523	3,988	177	4,165

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 Americas U.S. and Canada
- (2) Europe Germany, 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. Third quarter ended December 31, 2016 (from April 1, 2016 to December 31, 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	33,403	4,137	9,846	9,943	57,331	872	58,204
Segment income (loss)	1,961	(374)	7	196	1,790	124	1,914

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 Americas U.S. and Canada
- (2) Europe Germany, 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 January 31, 2017 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 300,000 shares |
| (4) Total purchase cost: | Up to 500,000,000 yen |
| (5) Purchase period: | From February 10, 2017 to March 10, 2017 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |