Fiscal 2006 Consolidated Earnings Report

May 11, 2006

Company Name: RISO KAGAKU CORPORATION
Stock Code: 6413
（URL: http://www.riso.co.jp/）
Representative Director: Akira Hayama, President & CEO
Inquiries: Nobuo Kawai, Senior Managing Director
TEL（03）5441-6611
Board Meeting held to Approve the Results: May 11, 2006
US GAAPs Applied: No

Listed Market: JASDAQ
Headquarters: Tokyo

1. Consolidated Results (April 1, 2005 to March 31, 2006)

(1) Consolidated Operating Results (Millions of yen, rounded down)

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2006	87,601	[2.9]	4,812	[- 26.8]	4,552	[- 22.6]
FY2005	85,161	[1.8]	6,574	[- 21.3]	5,883	[- 11.9]

	Net Income		Net Income Per Share	Diluted Net Income Per Share	Return on Equity	Recurring Income to Total Assets Ratio	Recurring Income to Net Sales Ratio
	Millions of yen	%	Yen	Yen	%	%	%
FY2006	2,154	[- 34.3]	79. 76	77. 22	3.2	3.9	5.2
FY2005	3,280	[- 9.0]	238. 58	226. 12	5.1	5.4	6.9

(Notes)
1. Equity-method loss (millions of yen): 222 in FY2006 and 243 in FY2005
2. Average no. of outstanding shares (Consolidated): 26,599,873 shares in FY2006 and 13,550,133 shares in FY2005
3. Changes in accounting standards: No
4. Percentage figures for net sales, operating income, recurring income and net income represent year-on-year changes.
5. Effective November 18, 2005, each share of common stock was split into two shares. The net income per share and the net income per share after adjustment of potential common shares (diluted net income per share) for the term ended March 2006 were calculated assuming that the stock split was conducted at the beginning of the term. Assuming that the stock split was conducted at the beginning of the term ended March 2005, net income per share will become 119.29 yen, and the diluted net income per share will become 113.06 yen for the term ended March 2005.

(2) Consolidated Financial Position (Millions of yen, rounded down)

	Total Assets	Shareholders' Equity	Equity Ratio	Book Value Per Share
	Millions of yen	Millions of yen	%	Yen
March 31, 2006	118,446	68,978	58.2	2,595. 28
March 31, 2005	112,551	65,834	58.5	4,926. 74

(Notes)
1. No. of shares issued (Consolidated): 26,565,690 shares on Mar. 31, 2006, and 13,353,010 shares on Mar. 31, 2005
2．Effective November 18, 2005, each share of common stock was split into two shares. Assuming that the stock split was conducted in the term ended March 2005, the shareholders' equity per share will become 2,463.37 yen for the term ended March 2005.

(3) Consolidated Cash Flows (Millions of yen, rounded down)

	Operating Activities	Investing Activities	Financing Activities	Period-end Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2006	6,365	- 6,539	- 903	32,697
FY2005	6,282	- 3,267	- 1,431	33,526

(4) Scope of Consolidation and Application of Equity Method
Consolidated subsidiaries: 26 Equity-method non-consolidated subsidiaries: 0
Equity-method affiliates: 1

(5) Changes in Scope of Consolidation and Application of Equity Method
Consolidated subsidiaries: (New) 0/ (Excluded) 3 Equity-method affiliates: (New) 0 / (Excluded) 0

2. Forecast for FY 2007 (April 1, 2006 to March 31, 2007） (Millions of yen, rounded down)

	Net Sales	Recurring Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Interim Results	41,300	900	450
Year-end Results	89,900	4,700	2,900

(Remarks) Projected net income per share at year-end: 109.16 yen

The above forecasts are based on beliefs and assumptions of management in light of information currently available to it at the time of announcement and are subject to a number of uncertainties that may affect future results. A number of factors could cause actual results to differ materially from forecasts. Please refer to Page 6 for an explanation of the assumptions and factors upon which the forecasts are based.

Note:

The financial information appearing in this report is a translation of the original Japanese text into English and according to accounting standards and practices in Japan.

(1) Group Organization Structure

The Riso Group (RISO) consists of Riso Kagaku Corporation (the parent company), 27 subsidiaries, and 2 affiliated companies. The main business of the Group is the manufacture and sale of printing equipment, as well as related market research. The Group also operates a real estate business and an insurance agency.
The following shows the relationship of the RISO members and their business territories.

RISO KAGAKU CORPORATION (Manufacture and sales)

<Subsidiaries in Japan>

Printing equipment - Sales and market research
RISO OKINAWA CORPORATION
RISO TSUKUBA CORPORATION
RISO CHIBA CORPORATION
RISO SHIZUOKA CORPORATION

Printing equipment - Sales and funded research and development
RISO VEC CORPORATION

Real estate business and others
- Insurance
RISO AGENCY CORPORATION

- Real estate

<Affiliated companies in Japan>

Printing equipment - Research and development, manufacture and sales
ORTEK CORPORATION

<Overseas subsidiaries>

Printing equipment - Sales and market research
RISO, INC.
RISO EUROPE LTD.
RISO (U.K.) LTD.
RISO (Deutschland) GmbH
RISO FRANCE S.A.
RISO IBERICA, S.A.
RISOGRAPH ITALIA S.p.A.
RISO AFRICA (PTY) LTD.
RISO HONG KONG LTD.
RISO (Thailand) LTD.
RISO KOREA LTD.

Printing equipment - Manufacture and sales
RISO TECHNOLOGY ZHUHAI CO., LTD.
RISO INDUSTRIES (H.K.) LTD.

(Note) RISO TSUKUBA CORPORATION, RISO CHIBA CORPORATION and RISO SHIZUOKA CORPORATION were merged with the Company and liquidated on May 1, 2006.

(2) Management Policies

1. Basic Management Policies

To expand profit in our core business “digital duplicating” and establish a foundation for growth through a new business “ink jet printing,” RISO has made a medium-term management plan, whose closing term is FY2007, and has been operating business accordingly.
The basic objectives of the medium-term management plan, Riso Vision 07, are as follows.
(1) Accelerating new product development and strengthening development system;
(2) Making challenges for further expansion of digital duplicating business;
(3) Establishing a new inkjet printing business;
(4) Building the production and distribution system enabling low operation cost and inventory level;
(5) Fostering human resources capable of leading our future growth; and
(6) Operating business in compliance with the law and consideration of the environment.

2. Basic Policy for Earning Distribution

Our basic policy for earning distribution is to allocate an appropriate portion of earnings for a dividend in accordance with business results while retaining the remains to strengthen the corporate structure.
Following the above basic policy, we try to maintain appropriate dividend distribution in future as well.
Regarding retained earnings, we will use them to enhance the operating results through improvement of the balance sheet, capital investment and research and development.

3. Approach and policy concerning the reduction of the investment unit, etc.

Effective November 18, 2005, the Company conducted a two-for-one stock split for its common shares in a bid to improve the liquidity of it shares and increase the number of investors.

4. Issues to address

In the term ended March 2006, the second year in the medium-term management plan, RISO focused on key issues such as expansion of the inkjet business, sales expansion of the one-pass two-color printer, R&D, engineering and production operation in pursuit of overall optimization, quality enhancement of management mind, and promotion of environment-conscious management and buildup of VCM (value chain management) system.
With respect to the expansion of the inkjet business, we introduced to the market the ORPHIS HC5500, which boasts a faster printing speed of 120 ppm and a finisher system equipped with stapling and punching functions, as an initiative to increase sales. We also stepped up advertising by televising commercials nationwide throughout the year, and actively exhibiting at exhibitions overseas.
With respect to an increase in the sales of the one-pass two-color printer, aiming at boosting sales to government and municipal offices as well as schools, we promoted this product to meet private requirements for leaflet use in Japan. We started to sell this product on a full-scale basis overseas from the term under review.
As to the promotion of environment-conscious management and buildup of the VCM system, two models—the RISOGRAPH RZ570 and the RZ530—obtained the Eco Mark from the Japan Environment Association. We also started a VCM project for marketing and distribution as well as for manufacturing, and promoted the establishment of systems to achieve an inventory reduction through the continuous reform of production, sales and inventory.
In the term ending March 2007, the final year in our medium-term management plan, we will manage our business focusing on the following four points in order to reform every aspect of corporate management, with the aim of transforming our business structure:

(i) Increasing market share and improving profitability in the digital duplicating business
(ii) Accelerating sales of ORPHIS (RISO) HC series
(iii) Reorganizing operations of the U.S. subsidiary
(iv) Accelerating new product developments and advancement of new business projects

RISO will aim to enhance own business performance by promoting the above-listed measures. Consolidated sales are expected to stand at ¥89.9 billion and the ratio of consolidated operating profit to consolidated sales is expected to become 5.9% compared with the initial targets of the medium-term management plan, which are consolidated sales of ¥100.0 billion and a ratio of consolidated operating profit to consolidated sales of 10%.

5. Parent-company-related Issues
None

6. Other important matters concerning the management of the Company
None

Please refer to the Corporate Governance Report, to be disclosed in the near future, for information on the basic corporate governance and procedures. The report will also contain information on the establishment and management of internal control systems.

(3) Business Results and Financial Positions

1. Business Results

In the fiscal year under review, the Japanese economy continued to show a steady recovery, reflecting an increase in capital investments brought about by a recovery in corporate results and progress in the improvement of the employment situation. Looking overseas, the U.S. economy enjoyed economic growth thanks to an improvement in the earnings and employment situation, and an increase in capital investment against a backdrop of favorable corporate earnings. In Europe, the economy staged a moderate export-led recovery spurred by the expansion of the world economy and the depreciation of the euro. Meanwhile, the Asian economy, centering on China, continued to show steady economic growth, against the backdrop of brisk exports to advanced countries.
In this economic environment, RISO introduced to the market 6 new models in the RISOGRAPH RZ series, which realized high speed of 180 print per minute for the first time in the corresponding digital printer market. As for the marketing of high-speed full-color printers, we launched the ORPHIS HC5500 series, which enabled printing on thick paper and envelopes with improved paper versatility.
In July 2005, digital printers were approved as the product category for the Eco Mark, which is authorized by the Japan Environment Association. Two models—the RISOGRAPH RZ570 and the RZ530—obtained the Eco Mark.
As a result of these activities, net sales rose ¥2,439 million (2.9%) year-on-year to ¥87,601 million. This was thanks to growth in sales of ORPHIS, the high-speed full-color printer, which offset a decline in domestic and overseas sales of RISOGRAPH.
Gross profit declined ¥52 million (0.1%) year-on-year to ¥45,249 million, a reflection of slowing sales growth of consumables for digital printers. Selling, general and administrative expenses increased 4.4% year-on-year to ¥40,437 million, as a result of a rise in sales promotion expenses, etc. Consequently, operating income declined 26.8% year-on-year to ¥4,812 million.
Recurring income decreased 22.6% year-on-year to ¥4,552 million, due partly to the equity method loss relating to ORTEK Corporation.

As a result, net income declined 34.3% year-on-year to ¥2,154 million from the previous year.

The business results in the respective segments by geographical area are as follows:

(1) Japan - Total domestic sales and Asian dealer sales

Domestic sales expanded, supported by favorable effects of the introduction of one-pass two-color printers and brisk ink sales of high-speed full-color printers, despite year-on year decline of consumables sales of digital printers in Japan. Meanwhile, sales to Asian distributors were lower than projected. As a result, net sales, including net sales of Real estate buisiness and others rose 2.8% year-on-year to ¥48,913 million. However, operating income declined 13.2% year-on-year to ¥5,220 million, as a result of a rise in sales promotion expense.

(2) The Americas - Total American subsidiaries' sales

In the United States, sales showed slowing growth because of a fall in the average selling price of digital printers and a delay in setting up the ORPHIS sales channel. As a result, net sales dipped 0.4% year-on-year to ¥13,040 million, and an operating loss of ¥1,070 million was recorded because of an increase in sales promotion expenses.

(3) Europe - Total European subsidiaries' sales

In Europe, sales were lower than projected, a reflection of sluggishness in direct sales of the U.K. subsidiary and dealer sales of the subsidiary in Germany. However, our subsidiary in France achieved a steady rise in sales, thanks to the introduction of ORPHIS. As a result, net sales rose 5.0% year-on-year to ¥17,670 million.

Meanwhile, operating income declined 26.3% year-on-year to ¥549 million, attributable to an increase in selling, general and administrative expenses.

(4) Asia - Total Asian subsidiaries' sales including Chinese sales and manufacturing subsidiaries

In China, sales of printers were lower than projected. In contrast, sales of consumables remained brisk. In Southeast Asia, the sales of printers and consumables were lower than projected. However, sales remained steady due partly to the effect of the introduction of ORPHIS. As a result, net sales rose 4.4% year-on-year to ¥7,977 million. Operating income increased 55.0% year-on-year to ¥605 million because sales measures attaching importance to profits achieved effects and the results of the manufacturing subsidiary improved.

2. Financial Positions

The financial positions for the fiscal year under review in comparison with the previous fiscal year are as follows.

Total assets rose by ¥5,894 million and total shareholders' equity were up ¥3,143 million. As a result, the shareholders' equity ratio stood at 58.2%.

Looking at major increases and decreases, in assets, marketable securities increased ¥1,111 million, inventories rose ¥2,373 million, and investment in securities were up ¥4,420 million. Cash and deposits declined ¥937 million, and notes and account receivable decreased ¥1,380 million. In liabilities, notes and accounts payable were up ¥1,793 million, short-term loans climbed ¥1,012 million, and accrued taxes rose ¥481 million. Convertible bonds declined ¥240 million.

Consolidated Cash Flows

Cash and cash equivalents declined ¥828 million from the previous year, to ¥32,697 million for the fiscal year under review.

The cash flows from the respective categorized activities in the past fiscal year are described below, including their contributing factors.

Cash Flows from Operating Activities

Net cash generated as a result of operating activities increased 1.3% from the previous year, to ¥6,365 million, chiefly reflecting income before income taxes of ¥4,527 million, depreciation of ¥3,318 million, a decline in accounts receivable of ¥1,359 million, an increase in accounts payable of ¥1,229 million, an increase in inventories of ¥1,519 million and income taxes paid of ¥2,181 million.

Cash Flows from Investing Activities

Net cash used as a result of investing activities rose 100.2% from the previous year, to ¥6,539 million, primarily because of expenditure of ¥1,300 million on the acquisition of marketable securities, expenditure of ¥2,188 million on the acquisition of tangible fixed assets and expenditure of ¥3,261 million on the acquisition of investment securities.

Cash Flows from Financing Activities

Net cash used as a result of financing activities declined 36.9%, to ¥903 million, primarily owing to a net increase in short-term loans of ¥517 million, expenditure of ¥239 million on the redemption of corporate bonds, expenditure of ¥302 million on the acquisition of treasury stocks and expenditure of ¥801 million on the payment of dividends.

3. Business Outlook in Fiscal Year 2007

In this business environment, RISO will address important issues that are shown in the medium-term management plan called Riso Vision 07, as mentioned above.

In the RISOGRAPH business, we will endeavor to improve profitability through an increase in the sales of one-pass two-color printers, and strengthen our business structure.

In the ORPHIS business, we will boost sales by developing a count charge system which was newly started.

The business results of the subsidiary in the United States remained harsh. We will, however, endeavor to increase sales through by expanding demand for high priced machines such as one-pass two-color printer MZ series. We will also aim to reduce operating expenses through the integration and abolition of business units.

Turning to consider the business outlook for the next fiscal year, we estimate net sales of ¥89.9 billion (up 2.6% from the previous year), recurring income at ¥4.7 billion (up 3.2%) and net income at ¥2.9 billion (up 34.6%).

This business outlook is based on the assumption of foreign exchange rates of 110 yen/dollar and 135 yen/euro.

4. Risk Factors in Business

RISO is subject to the following risk factors which may possibly affect its own performance, stock price and financial positions of the Group, and the following matters that may possibly have important implications for investor judgment.

The future-related assumptions we make in the description below are based on the data and information available at the end of FY2006.

(1) Intensifying competition

The products competing with our core products, office digital printer, are assumed to be office equipment marketed in the same fields, such as copiers, laser-beam printers and inkjet printers, as well as other brand printers using the same digital duplicating technology as ours.

If competition in the areas of model performance or price intensifies, there is a possibility that it will have an adverse effect on the business results and financial conditions of RISO.

(2) Product defects

RISO is manufacturing office digital printers and their supplies in the plants located in Ibaraki and Yamaguchi areas in Japan and some additional areas in China, giving top priority to quality control. However, there is no absolute guarantee that serious defects never occur in our products. Such product defects as lead to recall or product-liability compensation, even though we have a product-liability insurance policy with forethought, could require large additional costs and exert unfavorable effects on our company value, causing sales to drop and adversely affecting the business results and financial condition.

(3) Technological innovation

The core business of RISO has been the development, manufacturing and sale of digital printers for office use. Under the situation, if technological innovation was made in rivalry with "digital duplicating", there is a possibility that the products of RISO will become old-fashioned. Accordingly, if RISO fails to forecast fully a change in the market, and is unable to develop attractive new products, there is a possibility that it will cause a decline in future growth and profits, having an adverse effect on the business results and financial conditions.

(4) Infringement on the intellectual property rights of RISO or on the intellectual property rights of third parties by RISO

In business activities such as the development, manufacturing and sale, etc. of products, RISO pays close attention through the research of patents, etc. at the stage of the design of products to avoid infringing on the intellectual property rights of third parties. However, if the products of RISO inadvertently infringe on the intellectual property rights of third parties for reasons such as the precision of products, the diversification of product technologies or the expansion of overseas business activities, there is a possibility of a cost increase arising from the suspension of sales or a change in design, among other factors. Meanwhile, it may not be possible to completely prevent an infringement on the intellectual property rights of RISO by third parties. In this event, there is a possibility that the products of RISO will be unable to secure the expected market share, and sales will decline. There is a possibility that these factors will have an adverse effect on the business results and financial conditions of RISO.

(5) Information leak

RISO retains personal information of customers as well as corporate information through printing services and the mail-order sale of personal card printers. To strictly control this information, RISO has established regulations such as the Personal Information Protection Regulation and the Corporate Secrets Handling Regulation, and has taken steps to prevent information leaks from inside RISO by raising awareness of the importance of information control through employee education. The Company has also obtained the Privacy Mark from the Japan Information Processing Development Corporation. Notwithstanding these measures, if personal information or corporate information is divulged, there is a possibility that we will not only be liable for compensation for losses but will also lose social credibility, and this will have an adverse effect on the business results and financial conditions of RISO.

(6) Subsidiaries with poor results

Of the sales subsidiaries of RISO, RISO, INC. in the United States continued to record a recurring loss, although retaining a positive net worth, as a result of intensified competition in the sale of copiers and printers. The Company provided RISO INC. with support to help it reduce its costs, rebuild its sales channels and take sales promotion measures in a bid to improve its results. However, if the results of the subsidiary do not improve as planned, there is a possibility that it will have an adverse effect on the business results and financial conditions of RISO.

(7) Legal restrictions

RISO is subject to legal restrictions such as business approvals and permits, national security, anti-monopoly legislation, and trade, exchange, tax, patent, environment, and information controls, not only Japan but also in other countries where it does business. In this environment, RISO has endeavored to observe laws and ordinances. However, if a legal restriction with potential impact on the continuation of the business of RISO is imposed in the future, there is a possibility that it will have an adverse effect on the business results and financial conditions of RISO.

(8) Country risk involved in the development of overseas business

RISO has a manufacturing base in China and sales subsidiaries in many regions around the world. The advance into these overseas markets is subject to risk of the following unforeseen events occurring:

(i) Political instability, growth in anti-Japanese sentiment, and deterioration in the economic environment
(ii) Shortage of excellent manpower, sharp rise in personnel expense, and occurrence of a major labor strike
(iii) Instable supply of energy due to a failure to develop social infrastructure
(vi) Social disorder associated with a terrorist attack, war, riot, natural calamity, or the spread of an infectious disease

RISO always takes care to obtain information on the situation in China, where our manufacturing base is located, as well as on situations in countries where our sales subsidiaries are located, and has taken steps to prevent losses. However, if an unforeseen event occurs, there is a possibility that this will have an adverse effect on the business results and financial conditions of RISO as well as on the preservation and maintenance of assets such as production facilities located in those countries.

(9) Changes in accounting and tax systems, etc.

If an accounting standard or a tax system which is not expected by RISO is introduced or changed, there is a possibility that it will have an adverse effect on the business results and financial conditions of RISO. In addition, there is a possibility that an unexpectedly large tax burden will be imposed on RISO arising from differences in the way tax returns are viewed by tax authorities.

(10)Exchange rate fluctuation

About 50% of total sales amounts are realized overseas in the printer-related business. The amounts booked in local currency, such as sales, expenses and assets, in each overseas region are converted to Japanese yen when preparing consolidated financial statements. These amounts could be different after finally converted to Japanese yen, depending on the exchange rate applied at conversion, even if they are constant in local currency. Especially concerning US dollar and Euro, in which our major overseas sales amounts are booked, their depreciation against Japanese yen will have an adverse effect on the business results and financial conditions of RISO.

(11) Natural disasters and accidents

When the facilities, such as manufacturing sites, suffer catastrophic damages from natural disasters, such as earthquake, or such accidents as fire, our operations could be suspended, causing sales to drop due to delay in production and delivery. In addition, a substantial outlay required for the repair of a manufacturing base, etc. may not be covered by insurance. There is a possibility that this will have an adverse effect on the business results and financial conditions of RISO.

(12) Risk associated with the violation of laws and ordinances by employees

RISO has established the Compliance Regulation and has managed its business with the aim of not only observing laws and ordinances but also carrying out employee education so that employees may make judgments based on a sense of justice and ethics for the purposes of compliance. In addition, we have established a compliance hot line and a harassment hot line as lines for contact for consultation by employees. However, it is foreseeable that we will rapidly lose credibility given a mistake in the actions or judgment of an employee. If an officer or employee of RISO violates laws and ordinances with a resulting loss of credibility for the company, there is a possibility that this will have an adverse effect on the business results and financial conditions of RISO.

(4) Consolidated Financial Statements

[1] Consolidated Balance Sheets

Item	FY 2005 (As of Mar. 31, 2005) Amount (Millions of yen)		FY 2005 (%)	FY 2006 (As of Mar. 31, 2006) Amount (Millions of yen)		FY 2006 (%)	Y-O-Y Change Amount (Millions of yen)
(ASSETS)							
Ⅰ Current assets							
1. Cash and deposits		31,671			30,374		(937)
2. Notes and accounts receivable		18,297			16,917		(1,380)
3. Marketable securities		2,200			3,311		1,111
4. Inventories		12,664			15,037		2,373
5. Deferred tax assets (short)		2,457			2,717		260
6. Others		1,499			1,421		(77)
Allowance for doubtful receivables (short)		(1,190)			(294)		895
Total current assets		67,601	60.1		69,846	59.0	2,245
Ⅱ Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	18,156			18,401			
Less-Accumulated depreciation	(9,560)	8,595		(10,067)	8,333		(261)
(2) Machinery, equipment and vehicles	7,428			7,870			
Less-Accumulated depreciation	(5,407)	2,021		(6,022)	1,847		(173)
(3) Tools, furniture and fixtures	15,722			16,800			
Less-Accumulated depreciation	(13,345)	2,376		(14,487)	2,313		(63)
(4) Land		14,899			14,873		(25)
(5) Construction in progress		62			53		(8)
(6) Others	13,466			13,531			
Less-Accumulated depreciation	(8,952)	4,514		(8,916)	4,614		100
Total tangible fixed assets		32,469	28.8		32,037	27.0	(432)
2. Intangible fixed assets							
(1) Trade rights		362			363		1
(2) Software		1,134			1,403		268
(3) Consolidated adjustment account		42			6		(36)
(4) Others		513			559		46
Total intangible fixed assets		2,052	1.8		2,332	2.0	279
3. Investments and other securities							
(1) Investment in securities		4,283			8,704		4,420
(2) Long-term advances		290			284		(6)
(3) Deferred tax assets (long)		1,424			616		(808)
(4) Others		4,724			5,656		931
Allowance for doubtful receivables (long)		(296)			(1,030)		(734)
Total investments and other securities		10,427	9.3		14,229	12.0	3,802
Total fixed assets		44,950	39.9		48,599	41.0	3,649
Total assets		112,551	100.0		118,446	100.0	5,894

Item	FY 2005 (As of Mar. 31, 2005) Amount (Millions of yen)	FY 2005 (%)	FY 2006 (As of Mar. 31, 2006) Amount (Millions of yen)	FY 2006 (%)	Y-O-Y Change Amount (Millions of yen)
(LIABILITIES)					
Ⅰ Current liabilities					
1. Notes and accounts payable	11,357		13,150		1,793
2. Short-term loans	5,292		6,305		1,012
3. Long-term bank borrowings due within one year	69		51		(18)
4. Accrued taxes	1,292		1,774		481
5. Accrued bonuses	1,632		1,680		48
6. Accrued warranty costs	44		80		35
7. Others	5,995		5,406		(589)
Total current liabilities	25,685	22.8	28,449	24.0	2,763
Ⅱ Long-term liabilities					
1. Convertible bonds	16,915		16,675		(240)
2. Long-term bank borrowings	169		112		(56)
3. Employees' retirement allowances	2,970		3,602		92
4. Directors' retirement allowances	279		246		(32)
5. Equity-method debt	263		460		197
6. Others	287		312		24
Total long-term liabilities	20,885	18.6	20,869	17.7	(95)
Total liabilities	46,570	41.4	49,318	41.7	2,748
(MINORITY INTERESTS)					
Minority interests	146	0.1	149	0.1	3
(SHAREHOLDERS' EQUITY)					
Ⅰ Common stock	14,114	12.5	14,114	11.9	0
Ⅱ Capital reserve	14,779	13.1	14,779	12.5	0
Ⅲ Retained earnings	39,078	34.7	40,384	34.1	1,305
Ⅳ Net unrealized holding gains or losses on securities	976	0.9	2,205	1.8	1,228
Ⅴ Foreign currency translation adjustments	(802)	(0.7)	108	0.1	911
Ⅵ Treasury stock	(2,311)	(2.0)	(2,614)	(2.2)	(302)
Total shareholders' equity	65,834	58.5	65,978	58.2	3,143
Total liabilities, minority interests and shareholders' equity	112,551	100.0	118,446	100.0	5,894

[2] Consolidated Statements of Income

Item	FY 2005 (Year ended Mar. 31, 2005) Amount (Millions of yen)		(%)	FY 2006 (Year ended Mar. 31, 2006) Amount (Millions of yen)		(%)	Y-O-Y Change Amount (Millions of yen)
Ⅰ Net sales		85,161	100.0		87,601	100.0	2,439
Ⅱ Cost of sales		39,859	46.8		42,351	48.3	2,491
Gross profit		45,302	53.2		45,249	51.7	(52)
Ⅲ Selling, general and administrative expenses		38,727	45.5		40,437	46.2	1,710
Operating income		6,574	7.7		4,812	5.5	(1,762)
Ⅳ Other income							
1. Interest income	89			106			
2. Dividend income	62			70			
3. Exchange profits	—			183			
4. Gains on sale of investment securities	—			82			
4. Others	378	530	0.6	353	798	0.9	268
Ⅴ Other expenses							
1. Interest expenses	468			601			
2. Equity method losses	243			222			
3. Exchange losses	110			—			
4. Losses on disposal of fixed assets	213			135			
5. Others	186	1,221	1.4	98	1,058	1.2	(163)
Recurring income		5,883	6.9		4,552	5.2	(1,330)
Ⅵ Extraordinary Loss							
1. Impairment losses	—	—		25	25	0.0	25
Income before income taxes		5,883	6.9		4,527	5.2	(1,356)
Corporate income tax and other tax expenses	2,526			2,642			
Corporate income tax and other tax adjustments	61	2,587	3.0	(277)	2,364	2.7	(222)
Minority interest in net income of consolidated subsidiaries		15	0.0		7	0.0	(7)
Net income		3,280	3.9		2,154	2.5	(1,126)

[3] Consolidated Surplus Statements

Item	FY 2005 (Year ended Mar. 31, 2005) Amount (Millions of yen)		FY 2006 (Year ended Mar. 31, 2006) Amount (Millions of yen)		Y-O-Y Change Amount (Millions of yen)
(CAPITAL RESERVE)					
Ⅰ Capital reserve brought forward		14,779		14,779	0
Ⅱ Increases					
1. Gains on retirement of treasury stock	0	0	0	0	0
Ⅲ Capital reserve carried forward		14,779		14,779	0
(RETAINED EARNINGS)					
Ⅰ Retained earnings brought forward		36,673		39,078	2,405
Ⅱ Increases					
1. Net income	3,280	3,280	2,154	2,154	(1,126)
Ⅲ Decreases					
1. Dividends	813		801		
2. Bonuses to directors	62	875	48	849	(26)
Ⅳ Retained earnings carried forward		39,078		40,384	1,305

[4] Consolidated Statements of Cash Flows

Item	FY 2005 (Year ended Mar. 31, 2005) Amount (Millions of yen)	FY 2006 (Year ended Mar. 31, 2006) Amount (Millions of yen)
Ⅰ Cash flows from operating activities		
Income before income taxes	5,883	4,527
Depreciation	2,948	3,318
Amortization of adjustments on consolidated accounts	17	19
Equity method losses	243	222
Increase in employees' retirement allowances	245	92
Decrease in directors' retirement allowances	(28)	(32)
Increase (decrease) in allowance for doubtful receivables	337	(252)
Interest and dividends receivable	(151)	(177)
Interest payable	468	601
Exchange losses	109	321
Losses (gains) on sale of investment securities	0	(82)
Increase in accounts receivable	(1,767)	1,359
Decrease (increase) in inventories	(1,048)	(1,519)
Increase (decrease) in accounts payable	700	1,229
Increase (decrease) in accrued expenses	750	(806)
Directors' bonuses paid	(62)	(48)
Others, net	557	183
Subtotal	9,204	8,956
Interest and dividends received	151	177
Interest paid	(471)	(586)
Income taxes paid	(2,602)	(2,181)
Net cash provided by (used in) operating activities	6,282	6,365
Ⅱ Cash flows from investing activities		
Increase in time deposits	(716)	(308)
Decrease in time deposits	9	400
Payments for purchase of marketable securities	(300)	(1,300)
Proceeds from sale of marketable securities	1,299	300
Payments for acquisition of tangible fixed assets	(2,253)	(2,188)
Payments for acquisition of intangible fixed assets	(679)	(957)
Payments for purchase of investment securities	(603)	(3,261)
Proceeds from sale of investment securities	101	994
Increase in loans receivable	(42)	(43)
Decrease in loans receivable	128	57
Others, net	(209)	(233)
Net cash provided by (used in) investing activities	(3,267)	(6,539)
Ⅲ Cash flows from financing activities		
Net increase (decrease) in short-term loans	377	517
Proceeds from long-term bank borrowings	4	12
Repayments of long-term bank borrowings	(90)	(89)
Payments for redemption of corporate bonds	—	(239)
Payments for purchase of treasury stock	(909)	(302)
Cash dividends paid	(813)	(801)
Others, net	0	0
Net cash provided by (used in) financing activities	(1,431)	(903)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	109	248
Ⅴ Increase (decrease) in cash and cash equivalents	1,693	(828)
Ⅵ Cash and cash equivalents, beginning of year	31,832	33,526
Ⅶ Cash and cash equivalents, end of year	33,526	32,697

Significant Notes in Preparation of Consolidated Financial Statements

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 29 Principal ones are as follows: RISO, INC., RISO (Deutschland) GmbH, RISO FRANCE S.A., and RISO TECHNOLOGY ZHUHAI CO., LTD. Kubota Office Machine Ltd. was purchased and consolidated during the fiscal 2005.	(1) Number of consolidated subsidiaries: 26 Principal ones are as follows: RISO, INC., RISO (Deutschland) GmbH, RISO FRANCE S.A., and RISO TECHNOLOGY ZHUHAI CO., LTD. RISO China Ltd., RISO PSS Shinbashi Co., Ltd. and RISOGRAPH Uruguay S. A., which were consolidated subsidiaries in the previous fiscal year, were liquidated during the fiscal year under review and are excluded from the scope of consolidation.
	(2) List of non-consolidated subsidiaries RISO IRELAND LABORATORY LTD. (Reason of non-consolidation) The listed subsidiary is small in size and its main financial indexes, such as total assets, net sales, net income (calculated by equity method), and retained earnings (calculated by equity method), have no significant effect on the consolidated financial statements.	(2) List of non-consolidated subsidiaries Same as left
2. Application of the equity method	(1) Number of affiliated companies accounted for by the equity method: 1 ORTEK CORPORATION	(1) Same as left
	(2) RISO IRELAND LABORATORY LTD., a non-consolidated subsidiary, and AVENIR CO., LTD., an affiliate, are not accounted for by the equity method because their performances made no remarkable result and have no significant effect on the consolidated financial statements, judging from their net income (calculated by equity method) and retained earnings (calculated by equity method).	(2) Same as left
3. Fiscal year for consolidated subsidiaries	The accounting period of the subsidiaries listed below ends on December 31. RISO DE MEXICO S.A., RISO (SHANGHAI) INTERNATIONAL TRADING CO., LTD. , and RISO TECHNOLOGY ZHUHAI CO., LTD. The accounting period of the subsidiaries listed below ends on June 30. Kubota Office Machine Ltd. Consolidated financial statements are prepared, applying provisional financial statements in the accounting period ending on March 31 for these subsidiaries.	Same as left

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
4. Significant accounting policies	(1) Valuation standards and accounting treatment for important assets 1. Marketable securities - Other marketable securities with market quotations Stated at market value, determined by the market price as of the end of the period, with unrealized gains or losses reported in shareholders' equity and selling price determined by the moving-average method. - Other marketable securities without market quotations Stated at cost determined by the moving-average method. 2. Derivatives Stated at market value 3. Inventories Stated at cost, primarily determined by the moving-average method	(1) Valuation standards and accounting treatment for important assets 1. Marketable securities - Other marketable securities with market quotations Same as left - Other marketable securities without market quotations Same as left 2. Derivatives Same as left 3. Inventories Same as left
	(2) Depreciation rules of important depreciable assets 1. Tangible fixed assets Buildings, excluding fixtures, are depreciated using the straight-line method. Other tangible fixed assets are primarily depreciated by the declining-balance method. 2. Intangible fixed assets They are primarily depreciated using the straight-line method. Proprietary software is depreciated using the straight-line method over 5-year period of use.	(2) Depreciation rules of important depreciable assets 1. Tangible fixed assets Same as left 2. Intangible fixed assets Same as left
	(3) Accounting rules for major allowances and accruals 1. Allowance for doubtful receivables For ordinary accounts receivable, the estimated credit loss is calculated based on historic default rate and declared as allowance, while it is determined, estimating the default rate individually, for such specific accounts receivable as those with lower credit. 2. Accrued bonuses The amount which is expected to be paid as employees' bonuses in the corresponding accounting period is posted as accrued bonuses in the following group companies: parent company, all domestic subsidiaries and several overseas ones. 3. Accrued warranty costs The amount which is expected to be paid for repair parts used in the products under warranty in the corresponding accounting period is posted as accrued warranty costs, calculated based on the actual expense record in the previous years, in the parent company but not in other group companies.	(3) Accounting rules for major allowances and accruals 1. Allowance for doubtful receivables Same as left 2. Accrued bonuses Same as left 3. Accrued warranty costs Same as left

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
	4. Employees' retirement allowances The expected amount of employees' retirement benefit obligation and pension assets at the end of the corresponding fiscal year is posted as employees' retirement allowances, in the parent company and several overseas subsidiaries. The actuarial losses realized in the corresponding accounting period for the said allowances are amortized over the following fiscal years (15 years at the maximum), whose period is not beyond the average remaining service years of employees calculated at the end of the corresponding fiscal year, in the declining-balance method. 5. Directors' retirement allowances The amount that is required to be paid as rewards to directors on retirement at the end of the corresponding accounting period is posted as directors' retirement allowances, as prescribed in the internal regulations, in the parent company. There is no corresponding nternal regulation in subsidiaries.	4. Employees' retirement allowances Same as left 5. Directors' retirement allowances The amount that is required to be paid as rewards to directors and operating officers on retirement at the end of the corresponding accounting period is posted as directors' retirement allowances, as prescribed in the internal regulations, in the parent company. There is no corresponding internal regulation in subsidiaries.
	(4) Conversion rules of main items in foreign currencies Monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at the balance sheet date. The resulting exchange gains or losses are declared as income or expenses. The assets and liabilities of consolidated overseas subsidiaries are translated into yen amounts using the spot exchange rates at the balance sheet date, while their incomes and expenses are converted into yen amounts with the average exchange rates during the corresponding accounting period. The resulting exchange gains or losses are listed under foreign currency translation adjustments in shareholders' equity.	(4) Conversion rules of main items in foreign currencies Same as left
	(5) Transaction of main lease accounts Finance lease contracts are processed according to the accounting rules of operating lease ones, excluding those transferring the ownership of the leased assets to lessees at the end of the lease term. In some consolidated overseas subsidiaries, they are processed according to the accounting rules of ordinary sales transaction, in compliance with the accounting principles in the countries concerned.	(5) Transaction of main lease accounts Same as left
	(6) Other essential accounting rules required for drafting the Consolidated Financial Statements Transaction of consumption taxes Consumption tax and local consumption tax are excluded from the reported amounts.	(6) Other essential accounting rules required for drafting the Interim Consolidated Financial Statements Transaction of consumption taxes Same as left

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
5. Valuation of assets and liabilities of consolidated subsidiaries	The assets and liabilities of consolidated subsidiaries are totally recognized at the market value.	Same as left
6. Amortization of adjustments on consolidated accounts	Adjustments on consolidated accounts are evenly amortized over a period of 5 years.	Same as left
7. Report of net income appropriation	Net income appropriation is reported based on the appropriation results realized in the corresponding fiscal year.	Same as left
8. Scope of cash and cash equivalents in the Consolidated statements of cash flows	Cash and cash equivalents in the Consolidated statements of cash flows are composed of the following items: cash on hand, demand deposits and highly liquid short-term investment with maturity of less than 3 months which are exposed to minimal risks of value fluctuations.	Same as left

Changes in basic important matters for the preparation of consolidated financial statements

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
(None)	(Accounting standards for impairment of fixed assets） The accounting standards for the impairment of fixed assets (“opinion on the establishment of accounting standards for the impairment of fixed assets” issued by the Business Accounting Council on August 9, 2002, and the “guideline for the application of the accounting standards for the impairment of fixed assets” (No. 6 corporate accounting standards application guideline dated October 31, 2003)) have been applied beginning the fiscal year under review. This caused a decline in income before income taxes by ¥25 million.

Reclassification

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
［Consolidated statements of income］ The losses on sale of fixed assets, which amounted to ¥84 million in the previous fiscal year and were included in “Others” under “Other expenses,” are shown separately on the corresponding income statements because they have exceeded 10% of the total amount of other expenses.	

Additional information

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
(None)	(Consolidated balance sheet) We prepared past consolidated balance sheets based on the accounting standards of countries where our sales subsidiaries are located with respect to the recording of bad debt reserve and receivables covered by the bad debt reserve of subsidiaries. However, to achieve consistency with the accounting treatment of the submitting company, we showed the bad debt reserve and the receivables in accordance with the domestic standards. With this change, notes and accounts receivable included in current assets declined ¥973 million yen compared with the past method, and the other amounts included in investments and other securities increased ¥973 million. In addition, the allowance for doubtful receivables included in current assets fell ¥931 million, while the allowance for doubtful receivables included in investments and other securities rose ¥931 million. These amounts of changes are 1/100 or less of total assets.

Notes on Consolidated Balance Sheets

FY 2005 （As of Mar. 31, 2005）	FY 2006 （As of Mar. 31, 2006）
1. The amount of investments on and securities of non-consolidated subsidiaries and affiliated companies which is included in the item “Others” in the section “Investments and other securities” is as follows: - Securities ¥17 million.	1. The amount of investments on and securities of non-consolidated subsidiaries and affiliated companies which is included in the item “Others” in the section “Investments and other securities” is as follows: - Securities ¥17 million.
2. Contingent liabilities Guaranty of liabilities for bank loans made by other group companies than consolidated subsidiaries <Guaranteed> AVENIR CO., LTD ¥30 million	2. Contingent liabilities (None)
3. The total number of outstanding shares is 14,026,500 in common stock.	3. The total number of outstanding shares is 28,053,166 in common stock.
4. 673,490 shares of common stock are held as treasury stock.	4. 1,487,476 shares of common stock are held as treasury stock.

Notes on Consolidated Statements of Income

<table>
<tr><th>FY 2005
(Year ended Mar. 31, 2005)</th><th>FY 2006
(Year ended Mar. 31, 2006)</th></tr>
<tr><td>1. The main items of “Selling, general and administrative expenses” and their amounts are given below.

[Item] — [Amount] (millions of yen)
Employees’ salaries and bonuses — 12,267
Depreciation — 939
Provision for employees’ retirement allowances — 613
Provision for directors’ retirement allowances — 40
Provision for bonuses — 1,345
Research and development expenses — 4,331
Amortization of adjustments on Consolidated accounts — 17
Provision for doubtful receivables — 303</td><td>1. The main items of “Selling, general and administrative expenses” and their amounts are given below.

[Item] — [Amount] (millions of yen)
Employees’ salaries and bonuses — 12,566
Depreciation — 1,019
Provision for employees’ retirement allowances — 538
Provision for directors’ retirement allowances — 44
Provision for bonuses — 1,398
Research and development expenses — 4,444
Amortization of adjustments on Consolidated accounts — 19
Provision for doubtful receivables — 19</td></tr>
<tr><td>2. The research and development expenses included in the general and administrative expenses and the manufacturing costs incurred amount to ¥4,331 million.</td><td>2. The research and development expenses included in the general and administrative expenses and the manufacturing costs incurred amount to ¥4,444 million.</td></tr>
<tr><td></td><td>3. Asset impairment loss

In the fiscal year under review, the RISO Group recorded an asset impairment loss for the following asset.

<table><tr><th>Location</th><th>Use</th><th>Type</th><th>Amount</th></tr><tr><td>Ube City, Yamaguchi Prefecture</td><td>Idle asset</td><td>Land</td><td>¥25 million</td></tr></table>
RISO classified assets based on the type of business segment in applying asset impairment accounting.
However, we classified real estate and leased assets included in real estate and other business based on a minimum unit which is acknowledged as generating cash flow independently and idle assets individually.
As a result, the idle asset is not expected to be used in the future, and its book value was reduced to the recoverable amount. The amount of the reduction is posted under extraordinary losses as an asset impairment loss (¥25 million).
The amount of possible recovery of the asset is assessed based on its net selling price, and is evaluated based on an appraisal given by a real estate appraiser.</td></tr>
</table>

Notes on Consolidated Statements of Cash Flows

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents (As of March 31, 2005) [Item] — [Amount] (Millions of yen) Cash and deposits — 31,671 Time deposits with maturity of more than 3 months — (45) Short-term investment (Marketable securities) with maturity of 3 months or less from the acquisition date — 1,900 Cash and cash equivalents — 33,526	Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents (As of March 31, 2006) [Item] — [Amount] (Millions of yen) Cash and deposits — 30,734 Time deposits with maturity of more than 3 months — (48) Short-term investment (Marketable securities) with maturity of 3 months or less from the acquisition date — 2,011 Cash and cash equivalents — 32,697

Notes on Lease Accounts

The notes on lease accounts are not disclosed according to the EDINET disclosure rules.

Notes on Marketable Securities

1. Other marketable securities with market quotations (Millions of yen)

Type		FY 2005 (Year ended Mar. 31, 2005)			FY 2006 (Year ended Mar. 31, 2006)		
		Acquisition cost	Balance-sheet-booked value	Difference	Acquisition cost	Balance-sheet-booked value	Difference
Marketable securities whose balance-sheet-booked value exceeds acquisition cost	(1) Shares	1,128	2,778	1,649	1,268	5,003	3,734
	(2) Bonds	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Subtotal	1,128	2,778	1,649	1,268	5,003	3,734
Marketable securities whose balance-sheet-booked value does not exceed acquisition cost	(1) Shares	—	—	—	—	—	—
	(2) Bonds	—	—	—	2,999	2,984	(15)
	(3) Others	190	187	(2)	—	—	—
	Subtotal	190	187	(2)	2,999	2,984	(15)
Total		1,319	2,966	1,646	4,268	7,987	3,718

2. Other marketable securities sold in the corresponding fiscal year (Millions of yen)

FY 2005 (Year ended Mar. 31, 2005)			FY 2006 (Year ended Mar. 31, 2006)		
Amount sold	Gain on sale	Loss on sale	Amount sold	Gain on sale	Loss on sale
1,606	—	0	6,773	83	0

3. Main marketable securities which are not recorded at market value (Millions of yen)

	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
	Balance-sheet-booked value	Balance-sheet-booked value
Other marketable securities		
Unlisted stock (excluding over-the-counter stock)	1,017	617
Money management fund	400	400
Others	—	711

4. Other marketable securities with fixed maturity to be matured after the consolidated closing date (Millions of yen)

	FY 2005 (Year ended Mar. 31, 2005)		FY 2006 (Year ended Mar. 31, 2006)	
	1 year or less	1 to 5 years	1 year or less	1 to 5 years
Government bonds	—	—	—	2,984
Corporate bonds	300	—	300	—
Commercial papers	—	—	999	—
Cash trusts	1,500	—	1,000	—
Others	—	300	—	—

Notes on Derivative Accounts

The notes on derivative accounts are not disclosed according to the EDINET disclosure rules.

Notes on Employees' Retirement Benefits

1. Outline of employees' retirement benefits applied

The following defined benefit plans are applied as employees' retirement benefits: a welfare pension fund scheme, a qualified retirement pension program and a lump-sum retirement allowance. In addition, a premium severance pay, which is not regarded as a part of retirement benefit obligation calculated according to the accounting standard for retirement benefits, may be offered to an employee at retirement in some cases.

A defined benefit plan is applied as employees' retirement benefits in some overseas subsidiaries as well.

2. Projection and allowances for employees' retirement benefits (Millions of yen)

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
(1) Projected retirement benefit obligations	(8,360)	(8,746)
(2) Plan assets	5,046	6,618
(3) Uncovered retirement benefit obligations < (1)+(2) >	(3,313)	(2,127)
(4) Unrecognized actuarial differences	343	(934)
(5) Net obligations to be carried on consolidated balance sheets < (3)+(4) >	(2,970)	(3,062)
(6) Employees' retirement allowances	(2,970)	(3,062)

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
Note: 1. As the applied welfare pension scheme, the Welfare Pension Fund of Tokyo Bungu Kogyo (Tokyo Stationery Industries), is based on the corporate pension funds collected from a group of employers, the amount of plan assets corresponding to our contributions cannot be reasonably calculated. Therefore it is not included in the above-listed amount. The amount of plan assets of the aforesaid welfare pension fund and our membership ratio as of March 31, 2005 are as follows: - Plan asset amount ¥46,550 million - Our membership ratio 13.5%	Note: 1. As the applied welfare pension scheme, the Welfare Pension Fund of Tokyo Bungu Kogyo (Tokyo Stationery Industries), is based on the corporate pension funds collected from a group of employers, the amount of plan assets corresponding to our contributions cannot be reasonably calculated. Therefore it is not included in the above-listed amount. The amount of plan assets of the aforesaid welfare pension fund and our membership ratio as of March 31, 2006 are as follows: - Plan asset amount ¥57,033 million - Our membership ratio 13.9%
2. Some consolidated subsidiaries apply a simplified method in computing retirement benefit obligations.	2. Same as left

3. Expenses on employees' retirement benefits (Millions of yen)

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
Total expenses	811	727
(1) Service expense	540	537
(2) Interest expense	161	166
(3) Expected investment returns (to be deducted)	(22)	(25)
(4) Actuarial differences	131	48

(Note) 1. The expenses on employees' retirement benefits in the consolidated subsidiaries applying a simplified method in computing retirement benefit obligations are included in "Service expense" in the above table.

2. The amounts of contributions we made to the welfare pension fund in FY2005 and FY2006 are respectively ¥285 million and ¥332 million.

4. Calculation basis of projected retirement benefit obligations (Millions of yen)

Item	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
(1) Periodic allocation	Straight-line method	Same as left
(2) Discount rate	2.0%	2.0%
(3) Expected rate of investment returns	0.5%	0.5%
(4) Amortization period of actuarial differences	15 years	15 years
	* The actuarial differences realized in the corresponding accounting period are amortized over the following fiscal years, whose period is not beyond the average remaining service years of employees calculated at the end of the corresponding fiscal year, in the declining-balance method.	

Notes on Tax Effect Accounting

FY 2005 (Year ended Mar. 31, 2005)

1. Breakdown of deferred tax assets and liabilities

[Item]	[Amount] (millions of yen)
< Deferred tax assets >	
Denial of accrued enterprise tax	125
Excess of deductible amount for doubtful accounts	401
Denial of accrued bonuses	603
Denial of research and development expenses	419
Unrealized gains (losses)	1,234
Denial of valuation loss of investment securities and other	494
Retained loss carried forward	519
Excess of deductible amount for employees' retirement allowances	1,105
Denial of directors' retirement allowances	113
Others	458
Subtotal	5,475
Valuation allowances	(820)
Total	4,655
< Deferred tax liabilities >	
Net unrealized holding losses on securities	(670)
Others	(103)
Total	(773)
Net deferred tax assets	3,882

2. Reconciliation of the effective statutory tax rate according to tax effect accounting

[Item]	[%]
Effective statutory tax rate	40.7
< Reconciliation >	
Non-deductible items such as entertainment expenses	3.0
Evenly-allocated inhabitant tax and others	1.0
Items excluded from gross revenue such as dividend received	(0.2)
Special credit of corporation tax for research expenses and others	(7.4)
Net loss carried forward	0.6
Application of retained loss carried forward for tax purposes	(0.8)
Valuation allowances	7.1
Equity-method loss	1.7
Others	(1.7)
Reconciled tax rate	44.0

FY 2006 (Year ended Mar. 31, 2006)

1. Breakdown of deferred tax assets and liabilities

[Item]	[Amount] (millions of yen)
< Deferred tax assets >	
Denial of accrued bonuses	148
Excess of deductible amount for doubtful accounts	366
Denial of accrued bonuses	589
Denial of research and development expenses	386
Unrealized gains (losses)	1,462
Denial of valuation loss of investment securities and other	471
Retained loss carried forward	1,014
Excess of deductible amount for employees' retirement allowances	1,233
Denial of directors' retirement allowances	100
Others	842
Subtotal	6,616
Valuation allowances	(1,566)
Total	5,050
< Deferred tax liabilities >	
Net unrealized holding losses on securities	(1,513)
Others	(203)
Total	(1,716)
Net deferred tax assets	3,333

2. Reconciliation of the effective statutory tax rate according to tax effect accounting

[Item]	[%]
Effective statutory tax rate	40.7
< Reconciliation >	
Non-deductible items such as entertainment expenses	3.2
Evenly-allocated inhabitant tax and others	1.3
Items excluded from gross revenue such as dividend received	(0.3)
Special credit of corporation tax for research expenses and others	(9.4)
Application of retained loss carried forward for tax purposes	(1.0)
Valuation allowances	14.8
Equity-method loss	2.0
Others	1.0
Reconciled tax rate	52.3

Segment Information

[Segment Information by Business]

- FY 2005 (Year ended Mar. 31, 2005) - (Millions of yen)

	Printing equipment-related business	Real estate business and others	Total	Inter-segment Elimination	Consolidated
1. Sales and operating income (loss)					
(1) External customer sales	84,010	1,151	85,161	—	85,161
(2) Inter-segment sales	—	63	63	(63)	—
[Total]	84,010	1,214	85,224	(63)	85,161
Costs and expenses	78,186	463	78,650	(63)	78,586
Operating income (loss)	5,823	751	6,574	—	6,574
2. Assets, depreciation and capex					
Assets	112,386	14,886	127,272	(14,720)	112,551
Depreciation	4,970	228	5,198	—	5,198
Capital expenditure	5,679	125	5,804	—	5,804

- FY 2006 (Year ended Mar. 31, 2006) - (Millions of yen)

	Printing equipment-related business	Real estate business and others	Total	Inter-segment Elimination	Consolidated
1. Sales and operating income (loss)					
(1) External customer sales	86,494	1,106	87,601	—	87,601
(2) Inter-segment sales	—	74	74	(74)	—
[Total]	86,494	1,181	87,676	(74)	87,601
Costs and expenses	82,512	351	82,863	(74)	82,788
Operating income (loss)	3,982	829	4,812	—	4,812
2. Assets, depreciation and capex					
Assets	117,934	14,609	132,544	(14,097)	118,446
Depreciation	5,492	185	5,677	—	5,677
Impaired assets loss	25	—	25	—	25
Capital expenditure	6,065	—	6,065	—	6,065

Note: 1. We classify our businesses into two segments, an existing one, "Printing equipment-related business", and a new one, "Real estate business and others."

2. The given business segments are based on the segmentation for internal management.

3. The main operations in each business segment are as follows:
   (1) Printing equipment-related business: Manufacturing and sales of printing equipment
   (2) Real estate business and others: Lease of real estate

4. All costs and expenses are allocated to the respective business segments without leaving unallocated ones.

5. All assets are allocated to the respective business segments without holding all-segment-covering ones.

[Segment Information by Geographic Area]

- FY 2005 (Year ended Mar. 31, 2005) - (Millions of yen)

	Japan	Americas	Europe	Asia	Total	Inter-segment Elimination	Consolidated
1. Sales and operating income (loss)							
(1) External customer sales	47,590	13,099	16,832	7,638	85,161	—	85,161
(2) Inter-segment sales	21,158	1	485	7,984	29,629	(29,629)	—
[Total]	68,749	13,100	17,318	15,623	114,791	(29,629)	85,161
Costs and expenses	62,737	13,480	16,572	15,232	108,023	(29,436)	78,586
Operating income (losses)	6,011	(379)	745	390	6,768	(193)	6,574
2. Assets	107,257	10,808	10,249	7,094	135,409	(22,857)	112,551

- FY 2006 (Year ended Mar. 31, 2006) - (Millions of yen)

	Japan	Americas	Europe	Asia	Total	Inter-segment Elimination	Consolidated
1. Sales and operating income (loss)							
(1) External customer sales	48,913	13,040	17,670	7,977	87,601	—	87,601
(2) Inter-segment sales	22,747	2	491	9,566	32,808	(32,808)	—
[Total]	71,661	13,042	18,161	17,544	120,410	(32,808)	87,601
Costs and expenses	66,440	14,113	17,611	16,939	115,105	(32,316)	82,788
Operating income (losses)	5,220	(1,070)	549	605	5,304	(492)	4,812
2. Assets	112,255	10,730	11,303	7,497	141,786	(23,339)	118,446

Note: 1. The above geographic segments are classified by geographic proximity.

2. The main countries included in each geographic segment are as follows:
(1) Americas – U.S. and Canada
(2) Europe – Germany, United Kingdom and France
(3) Asia – China and Thailand

3. All costs and expenses are allocated to the respective geographic segments without leaving unallocated ones.

4. All assets are allocated to the respective geographic segments without holding all-segment-covering ones.

[Overseas Segment Sales Data]

- FY 2005 (Year ended Mar. 31, 2005) - (Millions of yen)

	Americas	Europe	Asia	Total
Ⅰ Overseas sales (Millions of yen)	13,099	17,138	9,990	40,228
Ⅱ Consolidated net sales (Millions of yen)	—	—	—	85,161
Ⅲ Ratio of overseas sales in consolidated net sales (%)	15.4	20.1	11.7	47.2

- FY 2006 (Year ended Mar. 31, 2006) - (Millions of yen)

	Americas	Europe	Asia	Total
Ⅰ Overseas sales (Millions of yen)	13,040	17,802	10,327	41,170
Ⅱ Consolidated net sales (Millions of yen)	—	—	—	87,601
Ⅲ Ratio of overseas sales in consolidated net sales (%)	14.9	20.3	11.8	47.0

Note: 1. The above geographic segments are classified by geographic proximity.

2. The main countries included in each geographic segment are as follows:
(1) Americas – U.S. and Canada
(2) Europe – Germany, United Kingdom and France
(3) Asia – China and Thailand

3. Overseas sales represent the sales realized outside Japan by the parent company and consolidated subsidiaries.

Related Party Transactions

- FY 2005 (Year ended Mar. 31, 2005) -

(1) Directors and major individual shareholders

FY2005 (Year ended Mar. 31, 2005)

(1) Directors and major individual shareholders

Type	Name	Address	Capital (Million yen)	Business or job title	Voting right ratio	Relationship		Transaction	Amount (Million yen)	Item	Balance at year-end (Million yen)
						Other duties	Business				
Directors or their relatives	Noboru Hayama	—	—	Father of Akira Hayama, President & CEO	5.24% directly	—	—	Offices leased	5	—	—
								Guarantee deposited	—	Deposited guarantee	4
								Advisory fee paid	14	—	—
	Akira Hayama	—	—	President & CEO, Chairman of Riso Educational Foundation	3.17% directly, 2.75% indirectly	—	—	Donation	5	—	—
								Quarterly magazine purchased	1	—	—
								Offices leased	4	—	—
								Subsidy for administrative expenses received	3	—	—
								Company products sold	8	—	—
								Salaries of loaned employees paid	27	—	—
				President & CEO, Chairman of Tokyo Educational and Industrial Cooperative Association	3.17% directly, 2.75% indirectly	—	—	Investment	—	Investment	2
								Funds loaned	—	Loan	70
								Interest received	1	—	—
	Aizo Murakami	—	—	Auditor	0.01% directly	—	—	Lawyer's fee	7	—	—

Note 1. Consumption taxes are not included in the amounts of transaction.

2. The transactions with Riso Educational Foundation, of which Akira Hayama is Chairman, fall under transactions conducted by a director on behalf of a third party.

3. The transactions with Tokyo Educational and Industrial Cooperative Association, of which Akira Hayama is Chairman, fall under transactions conducted by a director on behalf of a third party.

4. Riso Educational Foundation, of which Akira Hayama is Chairman, holds 4.98% of the voting rights of the Company.

5. Terms and conditions of transactions and policy for determining terms and conditions of transactions

(1) The office lease transaction with Noboru Hayama relates to Print Techno Riso Kanda, whose rent is reviewed and decided through price negotiation at every renewal of contract, based on the assessment by a real estate appraiser. The guarantee deposited relates to this lease transaction, and the amount of the guarantee is decided through consultation between the parties, based on twelve times the monthly rent at the start of the contract.

(2) The advisory fee paid to Noboru Hayama is decided through negotiation, based on the provisions of the advisory agreement.

(3) The donation to Riso Educational Foundation, of which Akira Hayama is Chairman, is within the maximum allowable limit for inclusion in general donations under the Corporation Tax Law and is decided by the Company's Board of Directors.

(4) The quarterly magazine purchased from Riso Educational Foundation, of which Akira Hayama is Chairman, is purchased at a unit price calculated by dividing the production costs of the quarterly magazine by its circulation.

(5) The office lease transaction with Riso Educational Foundation, of which Akira Hayama is Chairman, relates to the offices of Riso Educational Foundation, whose rent is decided through price negotiation, based on market prices and with consideration given to surrounding area rents.

(6) The subsidy for administrative expenses received from Riso Educational Foundation, of which Akira Hayama is Chairman, is determined through negotiation, with consideration given to the number of loaned Company employees involved in administration of the Foundation's secretariat.

(7) The Company's products sold to Riso Educational Foundation, of which Akira Hayama is Chairman, are sold at a price decided in the same way as the terms and conditions of general transactions.

(8) The salaries paid to employees on loan to Riso Educational Foundation, of which Akira Hayama is Chairman, are decided based on a consideration of the salary level and duties of Company employees.

(9) The long-term loan of funds to Tokyo Educational and Industrial Cooperative Association, of which Akira Hayama is Chairman, amounts to ¥70 million, and interest is receivable in accordance with the provisions of an agreement on monetary loan for consumption. The interest rate is decided rationally based on a consideration of market interest rates.

(10) The lawyer’s fee paid to Aizo Murakami is decided through negotiation, based on consideration of the old standard provision on legal fees of the Japan Federation of Bar Associations.

- FY 2006 (Year ended Mar. 31, 2006) -

(1) Directors and major individual shareholders

Type	Name	Address	Capital (Million yen)	Business or job title	Voting right ratio	Relationship		Transaction	Amount (Million yen)	Item	Balance at year-end (Million yen)
						Other duties	Business				
Directors or their relatives	Noboru Hayama	—	—	Father of Akira Hayama, President & CEO	5.16% directly	—	—	Offices leased	5	—	—
								Guarantee deposited	—	Deposited guarantee	4
								Advisory fee paid	10	—	—
								Stock purchased	2		
	Akira Hayama	—	—	President & CEO, Chairman of Riso Educational Foundation	3.19% directly, 2.77% indirectly	—	—	Donation	17	—	—
								Quarterly magazine purchased	2	—	—
								Offices leased	4	—	—
								Subsidy for administrative expenses received	10	—	—
								Company products sold	8	—	—
								Salaries of loaned employees paid	22	—	—
				President & CEO, Chairman of Tokyo Educational and Industrial Cooperative Association	3.19% directly, 2.77% indirectly	—	—	Investment	—	Investment	2
								Funds loaned	—	Loan	70
								Interest received	1	—	—
	Aizo Murakami	—	—	Auditor	0.01% directly	—	—	Lawyer’s fee	7	—	—

Note 1. Consumption taxes are not included in the amounts of transaction.

2. The transactions with Riso Educational Foundation, of which Akira Hayama is Chairman, fall under transactions conducted by a director on behalf of a third party.

3. The transactions with Tokyo Educational and Industrial Cooperative Association, of which Akira Hayama is Chairman, fall under transactions conducted by a director on behalf of a third party. Akira Hayama retired as Chairman of Tokyo Educational and Industrial Cooperative Association on March 3, 2006.

4. Riso Educational Foundation, of which Akira Hayama is Chairman, holds 5.01% of the voting rights of the Company.

5. Terms and conditions of transactions and policy for determining terms and conditions of transactions

(1) The office lease transaction with Noboru Hayama relates to Print Techno Riso Kanda, whose rent is reviewed and decided through price negotiation at every renewal of contract, based on the assessment by a real estate appraiser. The guarantee deposited relates to this lease transaction, and the amount of the guarantee is decided through consultation between the parties, based on twelve times the monthly rent at the start of the contract.

(2) The advisory fee paid to Noboru Hayama is decided through negotiation, based on the provisions of the advisory agreement.

(3) The shares purchased from Noboru Hayama are the shares of RISO VEC Co., Ltd., a subsidiary of the Company, which were held by him. The purchase price was decided at a price which was obtained by multiplying the issue price at the time of establishment by the number of shares.

(4) The donation to Riso Educational Foundation, of which Akira Hayama is Chairman, is within the maximum allowable limit for inclusion in general donations under the Corporation Tax Law and is decided by the Company’s Board of Directors.

(5) The quarterly magazine purchased from Riso Educational Foundation, of which Akira Hayama is Chairman, is purchased at a unit price calculated by dividing the production costs of the quarterly magazine by its circulation.

(6) The office lease transaction with Riso Educational Foundation, of which Akira Hayama is Chairman, relates to the offices of Riso Educational Foundation, whose rent is decided through price negotiation, based on market prices and with consideration given to surrounding area rents.

(7) The subsidy for administrative expenses received from Riso Educational Foundation, of which Akira Hayama is Chairman, is determined through negotiation, with consideration given to the number of loaned Company employees involved in administration of the Foundation's secretariat.

(8) The Company's products sold to Riso Educational Foundation, of which Akira Hayama is Chairman, are sold at a price decided in the same way as the terms and conditions of general transactions.

(9) The salaries paid to employees on loan to Riso Educational Foundation, of which Akira Hayama is Chairman, are decided based on a consideration of the salary level and duties of Company employees.

(10) The long-term loan of funds to Tokyo Educational and Industrial Cooperative Association, of which Akira Hayama is Chairman, amounts to ¥70 million, and interest is receivable in accordance with the provisions of an agreement on monetary loan for consumption. The interest rate is decided rationally based on a consideration of market interest rates.

(11) The lawyer's fee paid to Aizo Murakami is decided through negotiation, based on consideration of the old standard provision on legal fees of the Japan Federation of Bar Associations.

Notes on Per-share Financial Data

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
Shareholders' equity per share ¥4,926.74 Net income per share ¥238.58 Diluted net income per share ¥226.12	Shareholders' equity per share ¥2,595.28 Net income per share ¥79.76 Diluted net income per share ¥77.22 The Company conducted a two-for-one stock split effective November 18, 2005. Assuming that the stock split was conducted at the beginning of the previous fiscal year, information per share will become as shown follows: Shareholders' equity per share ¥2,463.37 Net income per share ¥119.29 Diluted net income per share ¥113.06

Important subsequent matters

FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
――――――	Merger with RISO TSUKUBA CORPORATION, RISO CHIBA CORPORATION and RISO SHIZUOKA CORPORATION On May 1, 2006, the Company merged with RISO TSUKUBA CORPORATION, RISO CHIBA CORPORATION and RISO SHIZUOKA CORPORATION, all of which were wholly-owned subsidiaries, to speed up decision making for business and improve the efficiency of operations. 1. Date of merger May 1, 2006 2. Form of merger The Company as surviving company will merge with RISO TSUKUBA CORPORATION, RISO CHIBA CORPORATION and RISO SHIZUOKA CORPORATION, which will be dissolved. No new shares will be issued as a result of the merger. 3. Assumption of assets The Company will assume all assets, liabilities, rights and obligations of RISO TSUKUBA CORPORATION, RISO CHIBA CORPORATION and RISO SHIZUOKA CORPORATION as of the date of merger. 4. Profile of the merged companies

Name	RISO TSUKUBA CORPORATION
Business	Printing equipment-related
	(Fiscal year ended March 2006)
Net sales	¥387 million
Net income	¥18 million
Total assets	¥183 million
Shareholders’ equity	¥129 million

Name	RISO CHIBA CORPORATION
Business	Printing equipment-related
	(Fiscal year ended March 2006)
Net sales	¥1,280 million
Net income	¥43 million
Total assets	¥418 million
Shareholders’ equity	¥262 million

Name	RISO SHIZUOKA CORPORATION
Business	Printing equipment-related
	(Fiscal year ended March 2006)
Net sales	¥456 million
Net income	¥12 million
Total assets	¥210 million
Shareholders’ equity	¥144 million

(5) Production Record, Orders Received and Sales Results

[1] Production Record

(Millions of yen)

Business Segment	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
Printing equipment-related business	59,868	64,351
Total	59,868	64,351

Note: 1. Factory prices are used as unit price in calculating the above amounts.
2. Consumption taxes are not included in the above amounts.

[2] Orders Received

Orders received are not disclosed because they are scarce and contribute to a minimal share of production under the current forecast-based production process.

[3] Sales Results

(Millions of yen)

Business Segment	FY 2005 (Year ended Mar. 31, 2005)	FY 2006 (Year ended Mar. 31, 2006)
Printing equipment-related business	84,010	86,494
Real estate business and others	1,151	1,106
Total	85,161	87,601

Note: 1. Inter-segment transactions are offset.
2. Consumption taxes are not included in the above amounts.
3. Sales results are not broken down by account because we do not have such a specific account as covers 10% or more of the total sales in these two fiscal years.