



Interim Report 2011

1st half of fiscal 2011

 RISO KAGAKU CORPORATION

The financial information appearing in this review is a translation of the original Japanese text into English and is based on generally accepted accounting standards and practices in Japan.

Forward-looking Statements

Forecasts of future performance contained in forward-looking statements are based on Riso Kagaku Corporation's current expectations, estimates and assessment of the markets in which it operates. A number of factors, many beyond the Company's control, could cause actual results to differ materially from the forecasts contained in these statements.

To Our Shareholders

I am pleased to have this opportunity to present the RISO Interim Report 2011 to our shareholders.

The RISO Group (hereafter, "RISO") has formulated "Riso Vision 13," its fourth medium-term management plan running up through the conclusion of the fiscal year ending March 2013. Based on this plan, RISO is currently undertaking various initiatives in order to re-establish a stable profit-making business model with the aim of realizing strong growth by gaining new customers.

During the current interim period, a modest decline was recorded in sales of the digital duplicating business, which decreased significantly in the previous year, while steady growth was achieved in sales of the inkjet business in Japan and Europe. Although consolidated net sales remained generally on par with the previous fiscal year due to the impact of the yen's appreciation, operating income of ¥1.8 billion was posted as a result of reducing cost of sales and curbing selling, general and administrative expenses.

Various measures were implemented for business restructuring at our U.S. sales subsidiary. However, an improvement of earnings and profits is yet to be realized and we must continue to focus on addressing this issue going forward.

Although the outlook for the global economy remains unclear, we will pursue market expansion by offering products and services unique to RISO and strive to strengthen the profit-making structure through utilizing management resources effectively.

In closing, I would like to ask our shareholders for their continued support.



December 2010

Akira Hayama
President & CEO

Fourth Medium-term Management Plan "Riso Vision 13"

(April 1, 2010 – March 31, 2013)

The aim of Riso Vision 13 is to realize strong growth by gaining new customers through the utilization of optimum corporate resources in order to re-establish a stable profit-making business model.

Numerical Targets

- Consolidated net sales: ¥83.0 billion
- Consolidated operating income: ¥2.5 billion

Main Focus Points

1. Develop, cultivate and strengthen sales channels in the inkjet business
2. Build up both the product planning system and sales planning system on a global basis
3. Conduct a dynamic review of both the manufacturing system as well as the structure of selling, general and administrative expenses

Management Policies for the Fiscal Year Ending March 31, 2011

(April 1, 2010 – March 31, 2011)

Accelerate new installations of printers in the inkjet business and improve efficiency of the digital duplicating business as a means of increasing profitability, along with improving the internal structure to strengthen the quality of operation.

Main Focus Points

1. Develop, cultivate and strengthen sales channels in the inkjet business
2. Improve internal structure for product development best suited to the markets

Proposing Optimal Printing Solutions at Fairs in Japan and Overseas

RISO is participating in various domestic and overseas fairs and holding corporate exhibitions.

On these occasions, RISO is enabling visitors to realize various product advantages such as print speed and economical running cost of the ORPHIS X series of high-speed color printers and RISOGRAPH series of digital duplicators through demonstrations and proposals of solutions in accordance with customers' printing environments and use.

In Japan, RISO participated in a number of fairs from May to September 2010, including a corporate exhibition, RISO Printing Evolutions Fair 2010, held at 130 venues nationwide as well as the Direct Marketing Expo and Educational IT Solutions Expo.

Overseas, optimal printing systems were introduced by RISO at its corporate exhibitions or fairs in respective countries in line with the start of sales from April in Europe of the ComColor series, which is the overseas brand for the ORPHIS X series.

RISO will continue to propose optimal printing solutions for customers.



IPEX2010 exhibition held in Birmingham, U.K. (May 2010)

Sales Subsidiaries Established as Part of Initiatives to Strengthen Overseas Sales

RISO has established three sales subsidiaries, RISO LATIN AMERICA, INC., RISO EURASIA LLC and RISO EURASIA KAZAKHSTAN LLC, as a means of pursuing sales expansion of high-speed color printers and digital duplicators in markets including Latin America and Russia.

Since Latin America, Russia and Kazakhstan are designated as markets with high potential for economic growth, respective companies made a fresh start aimed at promoting full-scale market cultivation and strengthening sales channels.

Company name	Establishment	Head office
RISO LATIN AMERICA, INC.	October 2009	U.S. (Florida)
RISO EURASIA LLC	April 2010	Russia (Moscow)
RISO EURASIA KAZAKHSTAN LLC	September 2010	Kazakhstan (Almaty)



RISO EURASIA opening ceremony (July 2010)

Facilities in Japan

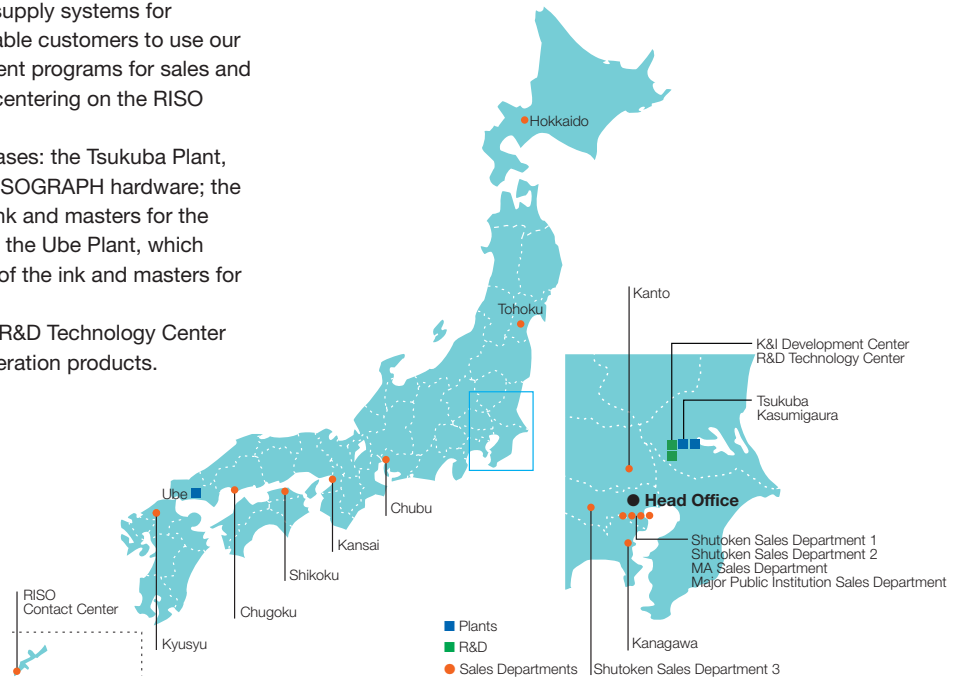
RISO's sales network encompasses 14 sales departments and 47 sales branches as well as sales subsidiaries. Additionally, we provide technology support and develop supply systems for consumables throughout the nation to enable customers to use our products with assurance. Skills development programs for sales and technical staff are carried out nationwide centering on the RISO Education Center.

We have three domestic production bases: the Tsukuba Plant, which is engaged in the manufacture of RISOGRAPH hardware; the Kasumigaura Plant, which manufactures ink and masters for the RISOGRAPH and ink for the ORPHIS; and the Ube Plant, which handles the mass production of a portion of the ink and masters for the RISOGRAPH.

The K&I Development Center and the R&D Technology Center conduct R&D to develop RISO's next-generation products.

◆ Main subsidiaries

- RISO VEC CORPORATION
- RISO AGENCY CORPORATION
- RISO OKINAWA CORPORATION



Global Network

Our wide-spanning network, centering on 19 overseas subsidiaries engaged in sales of the ORPHIS and RISOGRAPH, provides technological support and also acts as a supply route for consumables. Additionally, RISOGRAPH hardware is produced at the manufacturing plant of RISO TECHNOLOGY ZHUHAI CO., LTD. in China. Over 3,000 RISO Group employees value communication with customers and provide customer support in the respective countries where we operate.

◆ Main subsidiaries

- RISO, INC.
- RISO CANADA, INC.
- RISO LATIN AMERICA, INC.
- RISO de Mexico, S.A. de C.V.
- RISO (U.K.) LTD.
- RISO (Deutschland) GmbH
- RISO FRANCE S.A.
- RISO IBERICA, S.A.
- RISOGRAPH ITALIA S.p.A.
- RISO EURASIA LLC
- RISO EURASIA KAZAKHSTAN LLC
- RISO AFRICA (PTY) LTD.
- RISO INDUSTRIES (H.K.) LTD.
- RISO TECHNOLOGY ZHUHAI CO., LTD.
- RISO (SHANGHAI) INTERNATIONAL TRADING CO., LTD.
- RISO HONG KONG LTD.
- RISO (Thailand) LTD.
- RISO INDIA PVT. LTD.
- RISO KOREA LTD.



Business Environment and Performance

The RISO Group (RISO) is striving to improve its profitability with a focus on achieving strong growth by gaining new customers in the printing equipment business as a key objective. Net sales for the current six-month consolidated accounting period increased by 0.2% from the same period of the previous fiscal year to ¥37,455 million. During this period, the yen was strong, at respective average exchange rates of ¥88.95 to the U.S. dollar (a ¥6.54 appreciation per the U.S. dollar year on year) and ¥113.85 to the euro (a ¥19.31 appreciation per the euro year on year). Based on a trial calculation that deducts the effect of foreign exchange rates, net sales increased 3.8% year on year.

Within the printing equipment business, sales expanded substantially both domestically and in Europe in the inkjet business. Regarding the digital duplicating business, despite an increase in sales in emerging countries, overall sales dropped due to lower sales

mainly in developed countries.

Gross profit was ¥18,553 million (up 5.2% year on year) due to higher sales in the inkjet business and lower costs from the introduction of new products. Operating income was ¥1,848 million (versus an operating loss of ¥431 million year on year) as a result of effects from reductions in selling, general and administrative expenses, with ordinary income at ¥1,956 million (compared with an ordinary loss of ¥250 million year on year) and net income at ¥1,812 million (compared with a net loss of ¥9,476 million year on year).

Business Outlook for Fiscal 2011

The future outlook is expected to remain unclear, including uncertainties regarding the global economy and exchange rate trends. Amid such a business environment, overseas sales are expected to edge down in the first half of the term, as the yen is likely to stay strong in the latter half of the fiscal year. Nonetheless, since domestic sales are forecast to achieve steady growth, net sales for the full fiscal year are anticipated to remain generally on par with the previous year. On the profit side, performance is expected to surpass initial plans due to reducing cost of sales and curbing selling, general and administrative expenses.

For the full fiscal year, we are forecasting net sales of ¥78,000 million, operating income of ¥3,200 million, ordinary income of ¥3,300 million and net income of ¥3,000 million.

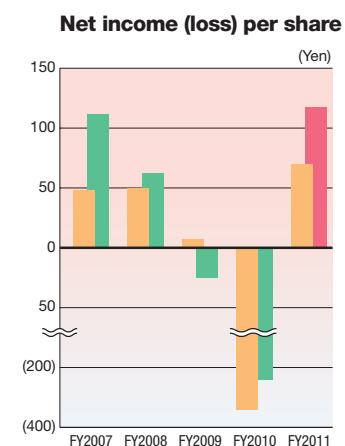
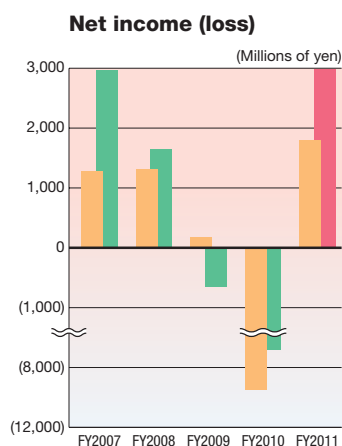
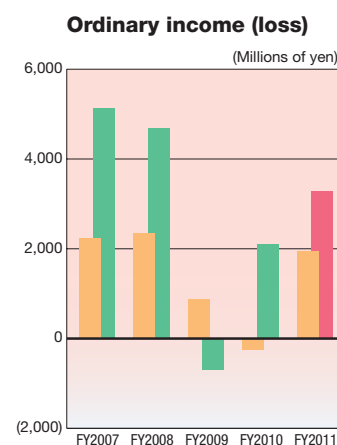
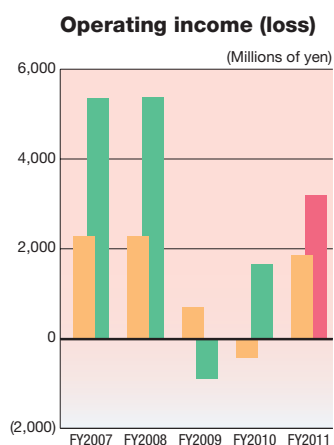
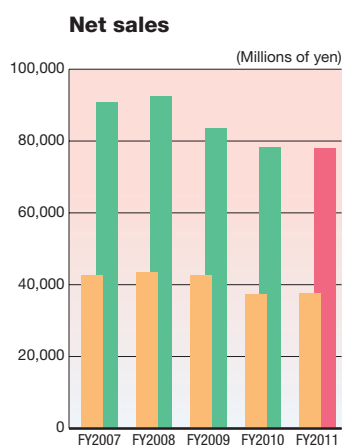
The above forecasts are based on assumed exchange rates of ¥85 against the U.S. dollar and ¥112 against the euro.

Financial Highlights (Consolidated basis)

(Millions of yen)

	FY2007		FY2008		FY2009		FY2010		FY2011	
	1st half of FY2007		1st half of FY2008		1st half of FY2009		1st half of FY2010		1st half of FY2011	(Forecast)
Net sales	42,601	90,863	43,535	92,621	42,627	83,774	37,377	78,469	37,455	78,000
Operating income (loss)	2,280	5,379	2,279	5,397	689	(913)	(431)	1,669	1,848	3,200
Ordinary income (loss)	2,250	5,139	2,358	4,709	883	(695)	(250)	2,113	1,956	3,300
Net income (loss)	1,292	2,977	1,321	1,657	192	(641)	(9,476)	(5,937)	1,812	3,000
Net income (loss) per share (yen)	48.64	112.12	49.93	62.73	7.38	(24.68)	(368.80)	(231.06)	70.83	118.05

Note: Amounts less than the unit expressed are omitted.



■ Interim
■ Annual
■ Annual (Forecast)

Balance Sheets

ASSETS

(Millions of yen)

Item	FY2010 (As of Mar. 31, 2010)	1st half of FY2011 (As of Sept. 30, 2010)
Current assets	¥ 49,571	¥ 46,035
Cash and deposits	13,656	11,914
Notes and accounts receivable—trade	14,221	11,690
Short-term investment securities	4,969	5,992
Inventories	13,271	12,580
Other	3,904	4,324
Allowance for doubtful accounts	(451)	(467)
Noncurrent assets	38,863	37,240
Total property, plant and equipment	30,469	29,756
Buildings and structures, net	6,754	6,566
Machinery, equipment and vehicles, net	1,169	1,044
Land	17,139	17,139
Other	5,406	5,007
Intangible assets	2,296	2,363
Software	1,749	1,581
Other	547	782
Investments and other assets	6,097	5,120
Investment securities	1,767	1,379
Other	4,493	3,887
Allowance for doubtful accounts	(163)	(146)
Total assets	¥ 88,434	¥ 83,276

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2011 was ¥40,976 million.

LIABILITIES

(Millions of yen)

Item	FY2010 (As of Mar. 31, 2010)	1st half of FY2011 (As of Sept. 30, 2010)
Current liabilities	¥ 25,005	¥ 20,900
Notes and accounts payable—trade	13,055	11,751
Short-term loans payable	4,832	2,735
Current portion of long-term loans payable	5	4
Other	7,111	6,409
Noncurrent liabilities	5,153	4,971
Long-term loans payable	68	57
Provision for retirement benefits	3,524	3,562
Other	1,560	1,351
Total liabilities	¥ 30,159	¥ 25,872

NET ASSETS

(Millions of yen)

Item	FY2010 (As of Mar. 31, 2010)	1st half of FY2011 (As of Sept. 30, 2010)
Shareholders' equity	¥ 59,616	¥ 60,158
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	32,108	31,774
Treasury stock	(1,386)	(510)
Valuation and translation adjustments	(1,340)	(2,754)
Valuation difference on available-for-sale securities	263	(95)
Foreign currency translation adjustment	(1,604)	(2,659)
Total net assets	¥ 58,275	¥ 57,404
Total liabilities and net assets	¥ 88,434	¥ 83,276

Point 1
Treasury stock

The retirement of 940,000 shares of treasury stock was implemented. Additionally, 457,900 shares (¥499 million) were repurchased during the first half of fiscal 2011.

Statements of Income

(Millions of yen)

Item	1st half of FY2010 (6 months ended Sept. 30, 2009)	1st half of FY2011 (6 months ended Sept. 30, 2010)
Net sales	¥ 37,377	¥ 37,455
Cost of sales	19,738	18,902
Gross profit	17,638	18,553
Selling, general and administrative expenses	18,070	16,704
Operating income (loss)	(431)	1,848
Non-operating income	603	464
Non-operating expenses	421	356
Ordinary income (loss)	(250)	1,956
Extraordinary income	28	—
Extraordinary loss	5,903	—
Income (loss) before income taxes and minority interests	(6,125)	1,956
Income taxes	3,351	143
Net income (loss)	¥ (9,476)	¥ 1,812

Point 2 Net sales

Net sales increased ¥78 million year on year. The effect of foreign exchange rates on net sales amounted to minus ¥1,333 million.

Point 3 Operating income

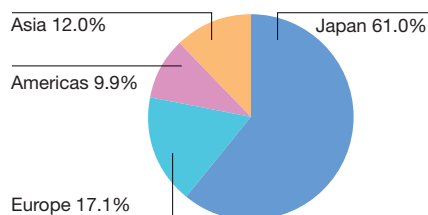
Operating income increased ¥2,280 million compared with the same period of the previous year as a result of promoting initiatives to reduce cost of sales and cut selling, general and administrative expenses.

Statements of Cash Flows

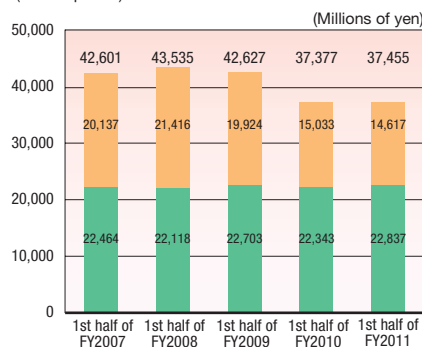
(Millions of yen)

Item	1st half of FY2010 (6 months ended Sept. 30, 2009)	1st half of FY2011 (6 months ended Sept. 30, 2010)
Net cash provided by (used in) operating activities	¥ 885	¥ 3,126
Net cash provided by (used in) investment activities	(1,133)	116
Net cash provided by (used in) financing activities	(665)	(3,074)
Effect of exchange rate change on cash and cash equivalents	(185)	(597)
Net increase (decrease) in cash and cash equivalents	(1,099)	(429)
Cash and cash equivalents at beginning of period	23,246	17,910
Cash and cash equivalents at end of period	¥ 22,146	¥ 17,481

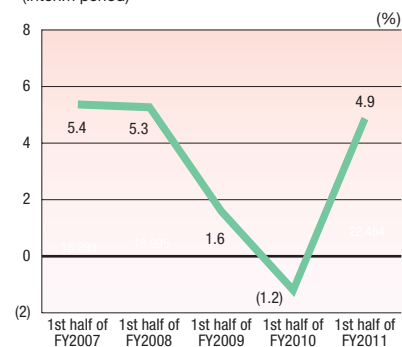
Sales by region
(1st half of FY2011)



Net sales
(Interim period)

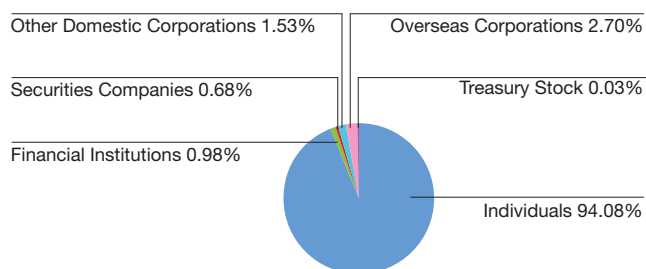


Operating income (loss) margin
(Interim period)

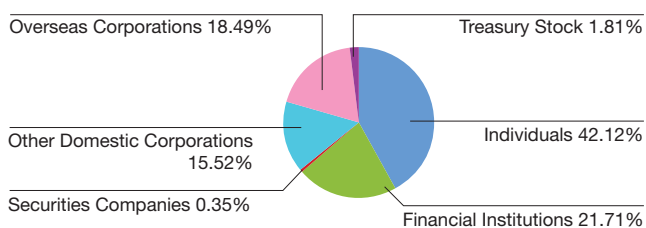


Number of shares	67,840,000 (No change from the end of the previous period)
Number of shares issued	25,703,166 (A decrease of 940,000 shares from the end of the previous period)
Number of shareholders	3,667 (An increase of 84 from the end of the previous period)

Breakdown of shareholders by type



Breakdown of stock ownership



Major Shareholders (Top 10 Shareholders)

Shareholder name	Number of shares owned (thousands of shares)	Shareholding ratio (%)
RISO Limited	2,470	9.61
Riso Educational Foundation	1,330	5.18
Northern Trust Company (AVFC) Sub Account American Client	1,233	4.80
Noboru Hayama	1,155	4.50
Akira Hayama	1,040	4.05
RISO KAGAKU CORPORATION Employees' Shareholding Association	1,002	3.90
Japan Trustee Services Bank, Ltd. (Trust Account)	934	3.64
Osamu Hayama	840	3.27
Takashi Hayama	840	3.27
Mariko Ito	840	3.27

Note:

The Company received a copy of the substantial shareholding report (amended report) dated July 17, 2009 from Silchester International Investors Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2011, thus the company name is not included in the above list. Summary details of the substantial shareholding report (amended report) are as follows.

Shareholder name	Number of shares owned (thousands of shares)
Silchester International Investors Ltd.	2,938

Repurchase and Retirement of Treasury Stock

During the six-month period, RISO repurchased and retired treasury stock as detailed below.

Number of shares repurchased:	457,900 shares
Total repurchased amount:	¥499 million

Number of shares retired:	940,000 shares (Ratio against the total number of shares issued prior to the retirement: 3.52%)
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Date of retirement:	August 16, 2010
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Corporate Data

(As of September 30, 2010)

Corporate name	RISO KAGAKU CORPORATION
Head office	5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan
Established	September 2, 1946
Incorporated	January 25, 1955
Paid-in capital	¥14,114,985,384
Number of employees	1,744 (3,171 for the RISO Group)
Subsidiaries	26 companies (domestic: 4; overseas: 22)

Board of Directors and Auditors

(As of September 30, 2010)

President & CEO (Representative Director)	Akira Hayama
Managing Director	Yasuhiro Takahashi
Managing Director	Takashi Kunitani
Director	Kazuo Abe
Director	Hidetaka Igarashi
Director	Kihachiro Endo
Director	Hidenori Fujioka
Director	Eigo Ishibashi
Director	Yoshitaka Okada
Director	Yasunobu Takahashi
Standing Auditor	Takashi Taniguchi
Standing Auditor	Kuniaki Yamamoto
Auditor	Takio Suzuki*
Auditor	Yoshinari Iizuka*

Note: "*" refers to outside auditors, as stipulated under Item 16 of Article 2 of the Corporate Law.

 RISO KAGAKU CORPORATION

5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan
Tel : +81-(3) 5441-6661
Fax: +81-(3) 5441-6668
<http://www.riso.co.jp/english/>