



Interim Report 2010

1st half of fiscal 2010

 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 our shareholders with the RISO Interim Report 2010.

The Riso Group (hereafter, "RISO") is carrying out operations for the fiscal term as the final year of its third medium-term management plan, in which primary emphasis is being placed on acquiring new customers.

During the interim period, we focused on sales activities through expansion of the product lineup by adding the new ORPHIS X7200 to the ORPHIS X series of high-speed color printers. In the inkjet business (ORPHIS), sales increased mainly in the Japanese market while sales in the digital

duplicating business (RISOGRAPH) continued their downward trend both in Japan and overseas. Furthermore, in addition to the global recession, our results were significantly impacted by a strong yen compared with the same period of the previous fiscal year, resulting in a decline in profits and the posting of an operating loss.

Additionally, RISO withdrew at its discretion in September 2009 from the Welfare Pension Fund of Tokyo Bungu Kogyo (Tokyo Stationery Industries), the general Pension Fund in which RISO has been participating for the purpose of increasing the pension benefits of its employees. Consequently, an extraordinary loss of approximately ¥5,800 million was recorded as special premiums accompanied by the withdrawal. Withdrawal from the fund was aimed at preventing a rise of special premiums paid in the future and was implemented in due consideration from a long-term perspective.

Looking ahead, RISO will aim for a rapid recovery in our business results and will take our utmost efforts to further increase our sales force in both the digital duplicating business and inkjet business. In closing, I would like to ask our shareholders for their continued support.



December 2009

Akira Hayama
President & CEO

Third Medium-term Management Plan “Riso Vision 10”

RISO considers the acquisition of new customers in both the inkjet and digital duplicating businesses of major importance in achieving further growth. In line with this goal, the basic policies of “Riso Vision 10”, scheduled for completion in the fiscal year ending March 31, 2010, are as follows.

Basic Policies

- 1. Accelerating our hardware installation in the inkjet business**
- 2. Gaining new customers in the digital duplicating business**
- 3. Creating new businesses that could be our future core businesses**
- 4. Making investments in development, engineering and manufacturing in anticipation of changes in businesses**
- 5. Creating a corporate culture that will nurture future leaders**
- 6. Increasing corporate value through the promotion of CSR activities**

Major Issues to be Addressed in Fiscal 2010

- 1. Increase profits through sales of high value-added models**
- 2. Reduce costs by enhancing production efficiency and increasing purchasing power**
- 3. Promote development planning for high value-added models required by the market**
- 4. Concentrate expenditures on main focus subjects and trim other costs thoroughly**

Introduction of the Basic Model ORPHIS X7200

In May 2009, RISO commenced sales in Japan of the ORPHIS X7200, the latest model in the ORPHIS X series of high-speed color printers.

The new model incorporates select basic functions for various purposes such as printing large numbers of fliers and leaflets from the original document. With a print speed of up to 120 pages*¹ per minute, the printer is also suitable for educational materials at educational sites, handout materials of local governments and other purposes. Additionally, the ORPHIS X7200 enables an economical running cost of ¥2.05*² per page, which is on par with existing models, while also realizing an economical price that allows affordable installation. Amid a greater awareness toward cost reductions, RISO offers a printing environment in which full color documents can be conveniently printed at lower costs.

Additionally, ComuColorExpress IS900C, an exclusive high-performance print controller for maximizing the performance of the ORPHIS X series, was concurrently launched in the Japanese market. Its high-performance processor and large-volume hard disk realize powerful and speedy operations. The print controller enables various items to be printed with greater efficiency and responds to companies'

in-house printing needs for items such as direct mail materials, mutable data output of expense sheets and forms, multiple page documents including manuals and training materials and graphic data output equivalent to design print shops—key strengths of ORPHIS.

The ORPHIS X series, which was launched in February 2009, has expanded its lineup with the introduction of the ORPHIS X7200. This series also captured visitors' attention at RISO Printing Evolutions Fair 2009, a comprehensive exhibition held at approximately 100 locations from July to August in Japan.

RISO will promote market expansion by broadening the base for large-volume color printing through ORPHIS and further respond to various needs.

*1 For A4 size, long-edge feed, simplex, continuous printing in standard mode, face-down stacking tray

*2 For A4 size, simplex, full color CMYK with each color at 5%, printing in standard mode and RISO X ink F type (paper and taxes are separate)



Exclusive high-performance print controller for ORPHIS X series
ComuColorExpress IS900C



Basic model with select functions
ORPHIS X7200

Business Environment and Performance

The RISO Group (RISO) is undertaking efforts to improve earning power through the acquisition of new customers in the printing equipment-related business.

During the interim period, RISO focused on sales of high-speed color printers and digital printers concentrating on the four essential objectives of “Increasing profits through sales of high value-added models”, “Reducing costs by enhancing production efficiency and increasing purchasing power”, “Promoting development planning for high value-added models required by the market” and “Concentrating expenditures on main focus subjects and trimming other costs thoroughly”.

In the area of high-speed color printers, RISO increased the product lineup of the ORPHIS X series in Japan, and sales began in the U.S. for that series under the name “ComColor” in July 2009. The marketing of these new products contributed to favorable high-speed color printer sales. However, sales of digital printers and consumables fell mostly in developed countries.

Moreover, RISO at its discretion withdrew in September 2009 from the Welfare Pension Fund of Tokyo Bungu Kogyo (Tokyo Stationery Industries), the general Pension Fund, and the special premiums

incurred as a result was recorded as an extraordinary loss. From a long-term prospective, RISO decided to withdraw from the fund in order to eliminate the risk of future increases in special premiums.

As a result, net sales for the interim period amounted to ¥37,377 million (down 12.3% year on year). In terms of profit, although we did our utmost to reduce selling, general and administrative expenses, we were unable to absorb the decline in gross profit, resulting in an operating loss of ¥431 million (compared to operating income of ¥689 million in the same period of the previous fiscal year), an ordinary loss of ¥250 million (compared to ordinary income of ¥883 million in the same period of the previous fiscal year). Also, the recording as an extraordinary loss of the special premiums upon withdrawal from the Pension Fund of approximately ¥5,800 million and the reversal of deferred tax assets of approximately ¥3,100 million resulted in a net loss of ¥9,476 million (compared to net income of ¥192 million in the same period of the previous fiscal year).

Business Outlook for Fiscal 2010

Harsh circumstances are expected to continue in the future including sluggish demand in line with global economic uncertainty and exchange rate movements.

Amid this economic environment, in the inkjet business RISO is working to expand its high-speed color printer lineup and cultivate new markets while making efforts to aggressively market new products and increase revenues in developed countries. In the digital duplicating business, although the downtrend in revenues is continuing, we will make every effort to strengthen our business structure with a focus on enhancing profitability by increasing our sales force for high value-added models. Meanwhile, RISO is promoting Group-wide efforts to reduce manufacturing costs by improving productivity and bolstering purchasing power while enhancing cost efficiency in striving to build a high-profit structure.

For the full fiscal year, we are forecasting net sales of ¥78,700 million, an operating loss of ¥950 million, an ordinary loss of ¥550 million and a net loss of ¥10,200 million.

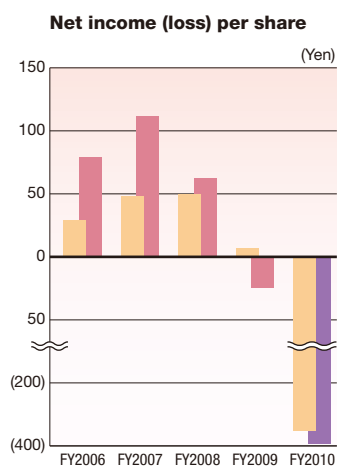
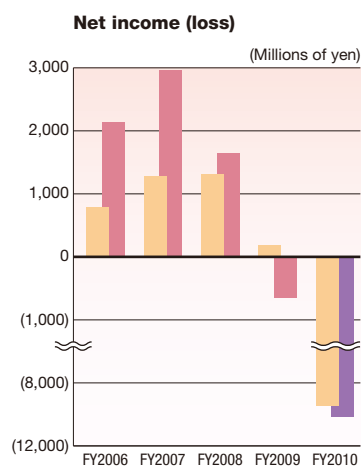
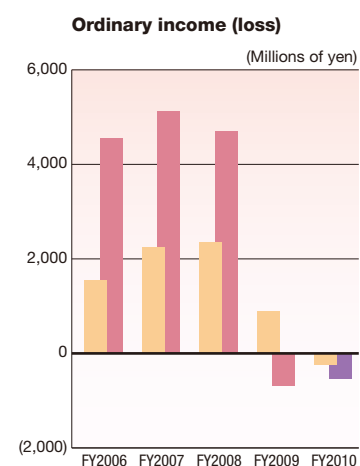
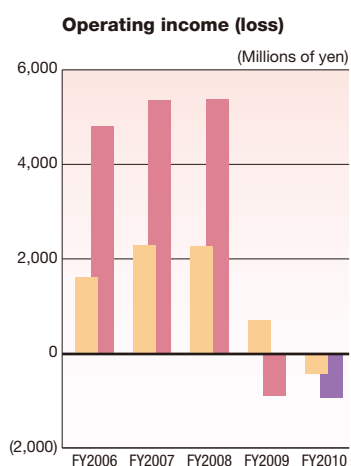
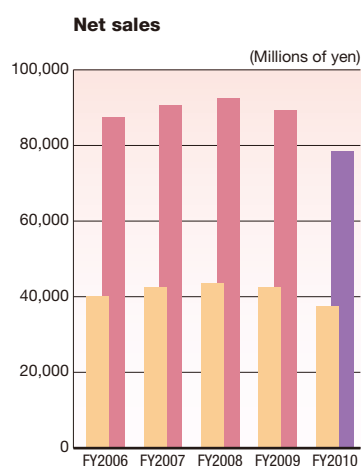
The above forecasts are based on assumed exchanges rates of ¥91 against the U.S. dollar and ¥129 against the euro.

Financial Highlights (Consolidated basis)

(Millions of yen)

	FY2006		FY2007		FY2008		FY2009		FY2010 (Forecast)	
	1st half of FY2006		1st half of FY2007		1st half of FY2008		1st half of FY2009		1st half of FY2010	
Net sales	40,040	87,601	42,601	90,863	43,535	92,621	42,627	83,774	37,377	78,700
Operating income (loss)	1,606	4,812	2,280	5,379	2,279	5,397	689	(913)	(431)	(950)
Ordinary income (loss)	1,556	4,552	2,250	5,139	2,358	4,709	883	(695)	(250)	(550)
Net income (loss)	792	2,154	1,292	2,977	1,321	1,657	192	(641)	(9,476)	(10,200)
Net income (loss) per share (yen)	29.74	79.76	48.64	112.12	49.93	62.73	7.38	(24.68)	(368.80)	(396.95)

Note: Amounts less than the unit expressed are omitted.



■ Interim
■ Annual
■ Annual (Forecast)

Balance Sheets

ASSETS

(Millions of yen)

Item	FY2009 (As of Mar. 31, 2009)	1st half of FY2010 (As of Sept. 30, 2009)
Current assets	¥ 54,797	¥ 49,146
Cash and deposits	20,583	19,032
Notes and accounts receivable—trade	13,900	11,741
Short-term investment securities	3,281	3,819
Inventories	14,029	12,777
Other	3,302	2,131
Allowance for doubtful accounts	(298)	(356)
Noncurrent assets	42,647	40,237
Total property, plant and equipment	32,492	32,418
Buildings and structures, net	7,344	7,128
Machinery, equipment and vehicles, net	1,299	1,203
Land	18,053	18,053
Other	5,795	6,034
Intangible assets	2,307	2,183
Software	1,971	1,868
Other	336	314
Investments and other assets	7,846	5,635
Investment securities	1,718	1,745
Other	6,373	4,078
Allowance for doubtful accounts	(245)	(188)
Total assets	¥ 97,444	¥ 89,384

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2010 was ¥40,996 million.

LIABILITIES

(Millions of yen)

Item	FY2009 (As of Mar. 31, 2009)	1st half of FY2010 (As of Sept. 30, 2009)
Current liabilities	¥ 26,972	¥ 29,283
Notes and accounts payable—trade	14,311	11,868
Short-term loans payable	5,368	5,243
Current portion of long-term loans payable	9	9
Other	7,283	12,161
Noncurrent liabilities	4,988	5,279
Long-term loans payable	83	79
Provision for retirement benefits	3,278	3,436
Other	1,626	1,763
Total liabilities	¥ 31,960	¥ 34,563

NET ASSETS

(Millions of yen)

Item	FY2009 (As of Mar. 31, 2009)	1st half of FY2010 (As of Sept. 30, 2009)
Shareholders' equity	¥ 66,325	¥ 56,077
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	38,816	28,569
Treasury stock	(1,386)	(1,386)
Valuation and translation adjustments	(1,020)	(1,256)
Valuation difference on available-for-sale securities	304	330
Foreign currency translation adjustment	(1,324)	(1,586)
Minority interests	179	—
Total net assets	¥ 65,484	¥ 54,820
Total liabilities and net assets	¥ 97,444	¥ 89,384

Point 1**Current liabilities, Other**

Accrued liability of special premiums upon withdrawal from the general Pension Fund is included.

Point 2**Retained earnings**

Retained earnings decreased due to posting a net loss. The equity ratio was 61.3%.

Statements of Income

(Millions of yen)

Item	1st half of FY2009 (6 months ended Sept. 30, 2008)	1st half of FY2010 (6 months ended Sept. 30, 2009)
Net sales	¥ 42,627	¥ 37,377
Cost of sales	21,434	19,738
Gross profit	21,193	17,638
Selling, general and administrative expenses	20,504	18,070
Operating income (loss)	689	(431)
Non-operating income	605	603
Non-operating expenses	410	421
Ordinary income (loss)	883	(250)
Extraordinary income	—	28
Extraordinary loss	—	5,903
Income (loss) before income taxes and minority interests	883	(6,125)
Income taxes	672	3,351
Minority interest in income	18	—
Net income (loss)	¥ 192	¥ (9,476)

Point 3

Net sales and Operating loss

Net sales decreased ¥5,250 million and an operating loss of ¥1,121 million was incurred year on year. The effects of exchange rates on net sales amounted to minus ¥2,770 million.

Statements of Cash Flows

(Millions of yen)

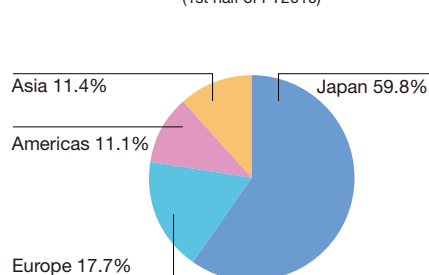
Item	1st half of FY2009 (6 months ended Sept. 30, 2008)	1st half of FY2010 (6 months ended Sept. 30, 2009)
Net cash provided by (used in) operating activities	¥ 1,756	¥ 885
Net cash provided by (used in) investment activities	(805)	(1,133)
Net cash provided by (used in) financing activities	(1,182)	(665)
Effect of exchange rate change on cash and cash equivalents	(47)	(185)
Net increase (decrease) in cash and cash equivalents	(279)	(1,099)
Cash and cash equivalents at beginning of period	30,427	23,246
Cash and cash equivalents at end of period	¥ 30,148	¥ 22,146

Point 4

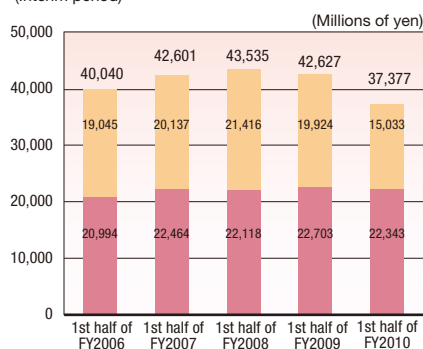
Extraordinary loss and Income taxes

Special premiums upon withdrawal from the general Pension Fund are recorded in extraordinary loss. Reversal of deferred tax assets is recorded in income taxes.

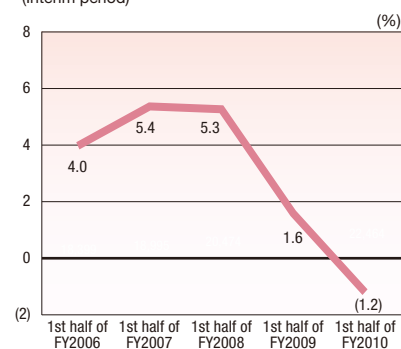
Sales by region
(1st half of FY2010)



Net sales
(Interim period)

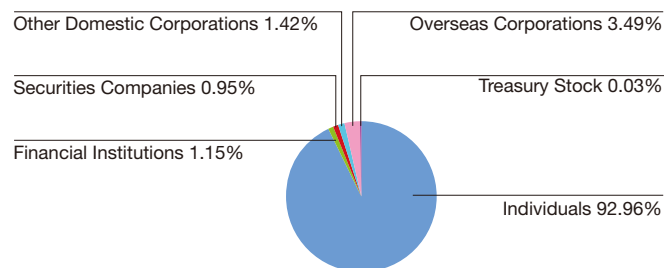


Operating income (loss) margin
(Interim period)

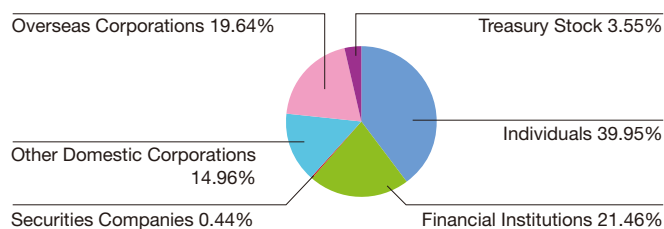


Number of shares	67,840,000 (No change from the end of the previous period)
Number of shares issued	26,643,166 (No change from the end of the previous period)
Number of shareholders	3,383 (A decrease of 23 from the end of the previous period)

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	9.27
Riso Educational Foundation	1,330	4.99
Noboru Hayama	1,221	4.54
Northern Trust Company (AVFC) Sub Account American Client	1,199	4.50
RISO KAGAKU CORPORATION	947	3.55
RISO KAGAKU CORPORATION Employees' Shareholding Association	906	3.40
Akira Hayama	860	3.23
The Silchester International Investors, International Value Equity Trust	826	3.10
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	804	3.01
Trust & Custody Services Bank, Ltd. as trustee for the Tokyo Tomin Bank, Ltd. Retirement Benefit Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	783	2.94

Notes:

- 783 thousand shares owned by the Trust & Custody Services Bank, Ltd. as trustee for the Tokyo Tomin Bank, Ltd. Retirement Benefit Account re-entrusted by Mizuho Trust and Banking Co., Ltd. correspond to the number of shares owned by Tokyo Tomin Bank, Ltd. that were contributed to the employee retirement benefit trust.
- 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 2010, 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

- The Company received a copy of the substantial shareholding report dated May 18, 2007 from AXA Rosenberg Investment Management Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2010, thus the company name is not included in the above list. Summary details of the substantial shareholding report are as follows.

Shareholder name	Number of shares owned (thousands of shares)
AXA Rosenberg Investment Management Ltd.	1,412

Facilities in Japan

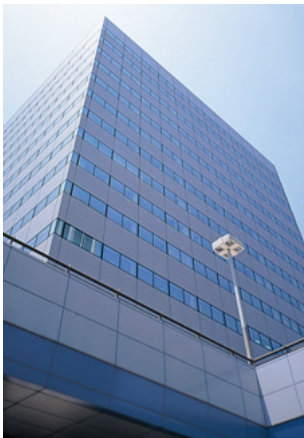
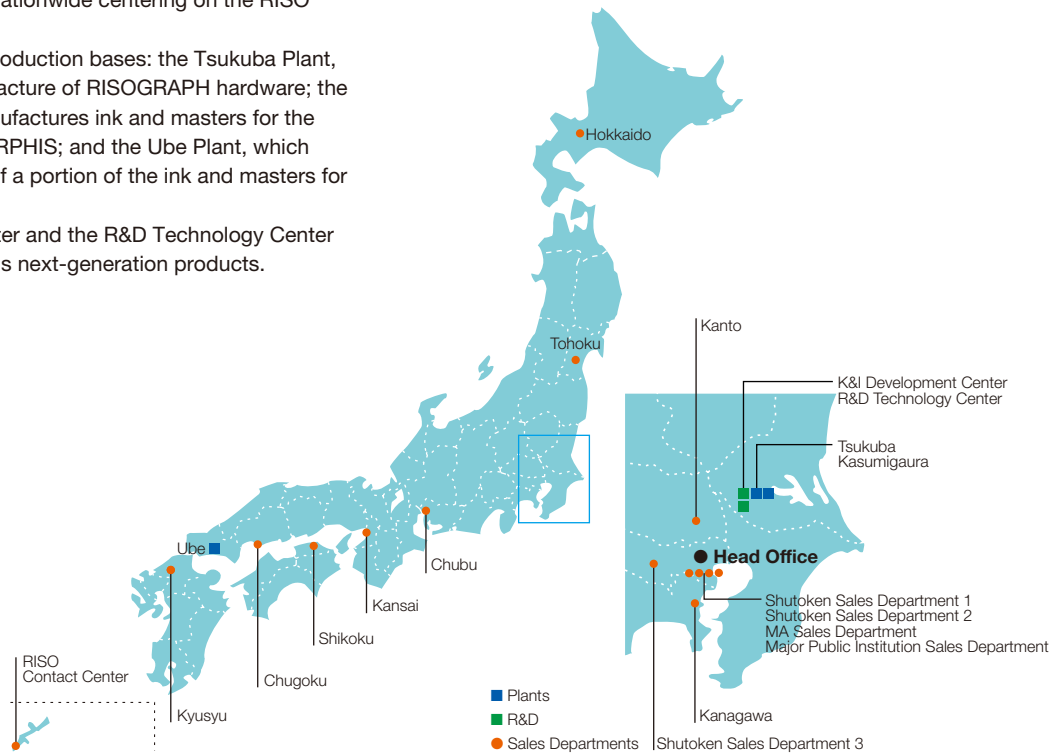
RISO's sales network encompasses 14 sales departments and 48 sales branches as well as sales subsidiaries. Additionally, we provide technology support and develop supply systems for consumables throughout the nation to enable customers to use our products with assurance. Skills development programs for 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 OKINAWA CORPORATION
- RISO AGENCY CORPORATION



Head Office



K&I Development Center



R&D Technology Center



RISO Contact Center



Kasumigaura site



Tsukuba site



Ube site

Global Network

Our wide-spanning network, centering on 16 overseas subsidiaries engaged in sales of the ORPHIS and RISOGGRAPH, provides technological support and also acts as a supply route for consumables. Additionally, RISOGGRAPH 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 de Mexico, S.A. de C.V.
- RISO (U.K.) LTD.
- RISO (Deutschland) GmbH
- RISO FRANCE S.A.
- RISO IBERICA, S.A.
- RISOGGRAPH ITALIA S.p.A.
- RISO AFRICA (PTY) LTD.
- RISO HONG KONG LTD.
- RISO (Thailand) LTD.
- RISO (SHANGHAI)
INTERNATIONAL TRADING
CO., LTD.
- RISO TECHNOLOGY ZHUHAI
CO., LTD.
- RISO KOREA LTD.
- RISO INDUSTRIES (H.K.) LTD.
- RISO INDIA PVT. LTD.



RISO, INC. (Boston, U.S.A.)



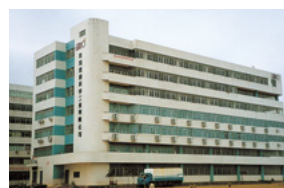
RISO (Deutschland) GmbH
(Hamburg, Germany)



RISO (Thailand) LTD.
(Bangkok, Thailand)



RISO FRANCE S.A. (Lyon, France)



RISO TECHNOLOGY ZHUHAI
CO., LTD. (Zhuhai, China)

Corporate Data

(As of September 30, 2009)

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	1,718 (3,261 for the RISO Group)
Subsidiaries	24 companies (domestic: 5; overseas: 19)

Board of Directors and Auditors

(As of September 30, 2009)

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.