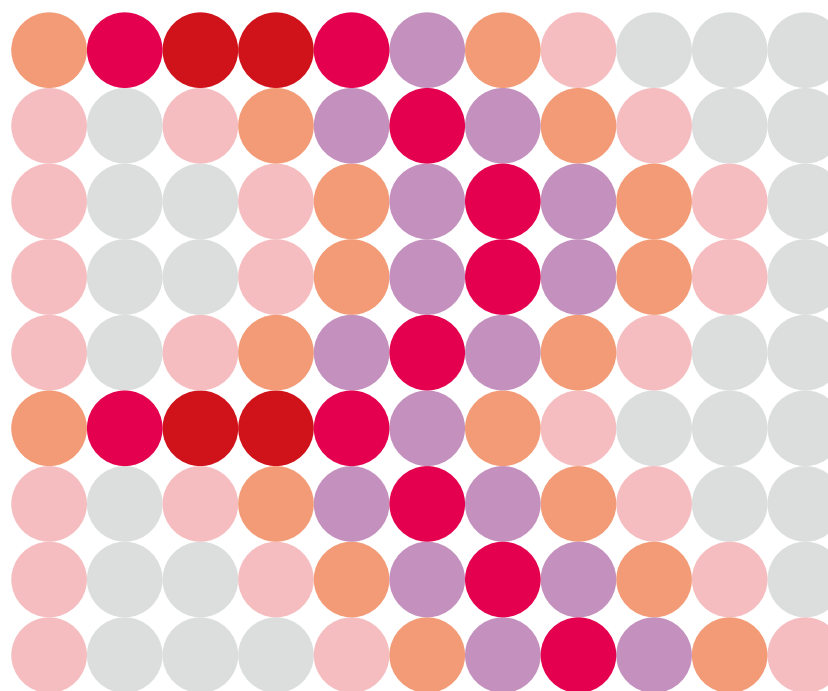




Interim Report 2018

1st half of fiscal 2018



To Our Shareholders



I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2018.

During fiscal 2018, the RISO Group is continuing efforts from the previous year to “Accomplish the growth of the number of machine installations by taking full advantage of RISO’s utmost unique products to ensure a stable revenue & profit growth,” which is the management objective of The Sixth Medium-term Management Plan “RISO Vision 19.”

In RISO's consolidated operating results for the first half of fiscal 2018 (current consolidated six-months period), net sales increased over the corresponding period of the previous year due to continuing favorable sales of new products in the inkjet business that had been introduced in the previous fiscal year. On the other hand, in both the inkjet and digital duplicating businesses, the portion of net sales accounted for by products with a low gross profit ratio increased, and gross profit therefore decreased while operating income declined from the previous year.

RISO provides unique products and services for large-volume printing applications in offices. In the inkjet business, RISO is making ongoing efforts to accomplish the growth of the number of machine installations of the ORPHIS, high-speed color printers for office use that realize the world’s fastest printing speed. In the digital duplicating business, in October 2017 RISO launched two series of new products for its RISOGRAF high-speed digital duplicators. In the digital duplicating business, we will continue to develop products that can be even more widely used.

On this occasion, I would like to ask our shareholders for your continued understanding and support.

December 2017
Akira Hayama
President & CEO

The Sixth Medium-term Management Plan “RISO Vision 19”

(April 1, 2016 - March 31, 2019)

Management Objectives

Accomplish the growth of the number of machine installations by taking full advantage of RISO’s utmost unique products to ensure a stable revenue & profit growth

Priority Actions

- 1 Gain new customers and increase the consumable profit which is the lifeline to pursue RISO’s future business
- 2 Take on the challenge to create new business and pursue every technological possibility by the R&D Division
- 3 Provide opportunities for long-term human resource developments for younger-generations and improve organization structures within the Production Division
- 4 Develop human resources to enhance the managerial and leadership performance by enriching RISO corporate culture which will enable RISO employees to bring out their ability at full potential

Financial Targets

(Fiscal Year Ending March 2019)

- Consolidated net sales: **¥85 billion**
- Consolidated operating income: **¥7 billion**
- ROE: **7%**

* Exchange rates: 1 U.S. dollar: ¥108.00 1 euro: ¥122.00

Actual results for the fiscal year ended March 31, 2017

- Consolidated net sales: **¥82.9 billion**
- Consolidated operating income: **¥3.9 billion**
- ROE: **4.2 %**

* The average rates:
1 U.S. dollar: ¥108.38
1 euro: ¥118.79

Forecasts for the fiscal year ending March 31, 2018

- Consolidated net sales: **¥83.5 billion**
- Consolidated operating income: **¥4.4 billion**

* Exchange rates:
1 U.S. dollar: ¥109.00
1 euro: ¥116.00

Management Policy for Fiscal Year Ending March 31, 2018

Take full advantage of new products to accomplish the increase of the number of machine installations while resolving medium- and long-term management challenges

April 2016

April 2017

April 2018

April 2019

Review of Operations

Business Environment and Performance

**Increased sales supported by continued firm sales of new products.
Operating income declined due to a decrease in gross profit.**

In RISO's consolidated operating results for the current six months, sales of new products that were introduced in the previous fiscal year continued to be favorable, and net sales increased in the inkjet business. In the digital duplicating business, however, the downward trend in net sales continued. Net sales increased, partly boosted by the depreciation of the yen. In both the inkjet and digital duplicating businesses, the portion of net sales accounted for by products with a low gross profit ratio increased, and gross profit therefore decreased. Selling, general and administrative expenses increased partly due to the effects of yen depreciation, while research and development expenditures and other expenses associated with new product releases decreased. As a result, operating income fell year on year. Net sales were ¥40,128 million (up 4.0% year on year), operating income was ¥1,387 million (down 14.7% year on year), ordinary income was ¥1,585 million (down 7.9% year on year) and profit attributable to the owners of parent was ¥1,221 million (up 8.6% year on year).

The average exchange rates during the current consolidated sixth-month period were ¥111.06 to the U.S. dollar and ¥126.29 to the euro (compared with the corresponding period of the previous fiscal year, the yen depreciated by ¥5.77 against the U.S. dollar and depreciated by ¥8.14 against the euro).

Business Outlook for Fiscal 2018

We aim for continued growth in sales throughout the world and increases in revenue and profits for the full fiscal year.

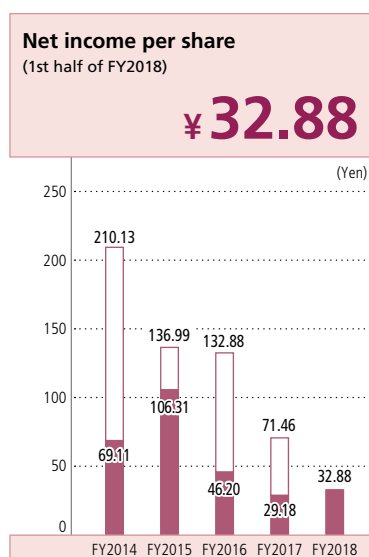
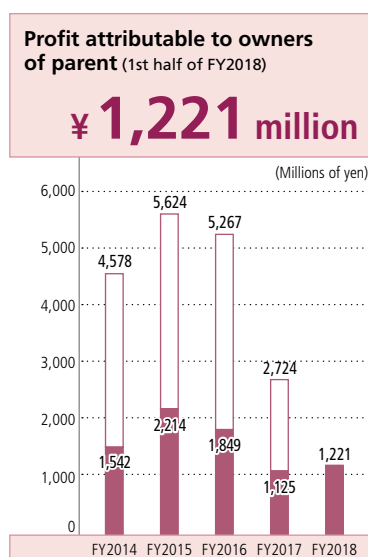
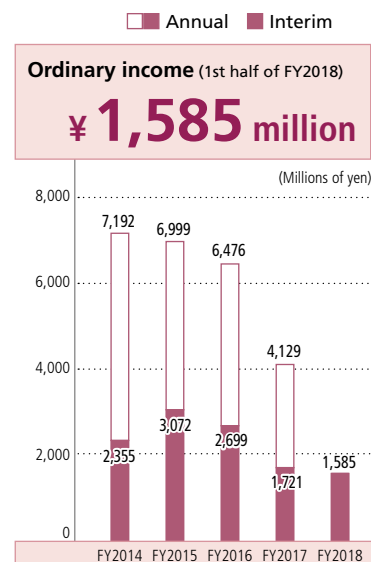
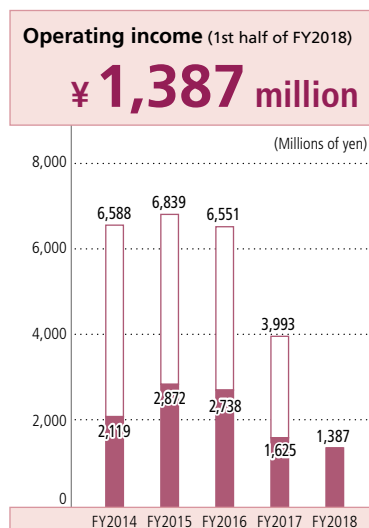
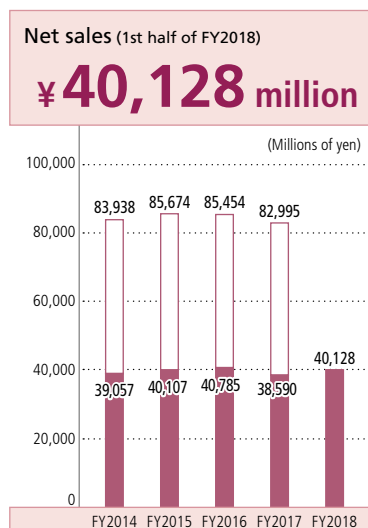
In the printing equipment business, full-year net sales are expected to increase over the previous fiscal year due to ongoing firm sales worldwide in the inkjet business as well as to the effects of a weak yen. Operating income is forecast to increase over the previous fiscal year due to such factors as an increase in sales and a decrease in depreciation expenses. For the entire fiscal year, RISO forecasts net sales of ¥83,500 million (up 0.6% year on year) with operating income of ¥4,400 million (up 10.2% year on year), ordinary income of ¥4,400 million (up 6.6% year on year) and profit attributable to owners of parent of ¥3,000 million (up 10.1% year on year).

The above forecasts are based on exchange rate assumptions of ¥109 to the U.S. dollar and ¥116 to the euro.

Review of Operations

Financial Highlights (Consolidated basis)

Note: Amounts less than the unit expressed are omitted.



Forecasts for the fiscal year ending March 31, 2018

Net sales	¥83,500 million
Operating income	¥4,400 million
Ordinary income	¥4,400 million
Profit attributable to owners of parent	¥3,000 million
Net income per share	¥80.94

Note: Effective January 1, 2015, each share of common stock was split into two shares.

Consolidated Financial Statements

Notes: Amounts less than the unit expressed are omitted. These financial statements show major items only.

Balance Sheets

ASSETS

(Millions of yen)

Item	FY2017 (As of Mar. 31, 2017)	1st half of FY2018 (As of Sept. 30, 2017)
Current assets	¥47,134	¥48,148
Cash and deposits	15,058	16,634
Notes and accounts receivable—trade	15,393	13,541
Short-term investment securities	900	900
Inventories	12,045	13,066
Other	3,993	4,257
Allowance for doubtful accounts	(257)	(252)
Noncurrent assets	40,854	41,119
Total property, plant and equipment	33,026	33,386
Buildings and structures, net	8,185	7,973
Machinery, equipment and vehicles, net	1,375	1,568
Land	17,623	17,631
Other	5,841	6,212
Intangible assets	1,916	1,725
Software	1,261	1,204
Other	655	520
Investments and other assets	5,911	6,007
Investment securities	1,981	1,885
Other	3,972	4,163
Allowance for doubtful accounts	(41)	(42)
Total assets	¥87,988	¥89,268

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2018 was ¥40,718 million.

Point ①
Cash and deposits and
Notes and accounts
receivable—trade

The last day of the first six-month period of fiscal 2018 was on a bank holiday and this affected cash and deposits and notes and accounts receivable—trade.

Consolidated Financial Statements

LIABILITIES

(Millions of yen)

Item	FY2017 (As of Mar. 31, 2017)	1st half of FY2018 (As of Sept. 30, 2017)
Current liabilities	¥21,194	¥23,868
Notes and accounts payable—trade	11,568	12,734
Short-term loans payable	1,322	1,417
Current portion of long-term loans payable	1	1
Other	8,301	9,714
Noncurrent liabilities	2,781	2,843
Long-term loans payable	17	16
Provision for retirement benefits	2,359	2,338
Other	405	487
Total liabilities	¥23,975	¥26,711

NET ASSETS

(Millions of yen)

Item	FY2017 (As of Mar. 31, 2017)	1st half of FY2018 (As of Sept. 30, 2017)
Shareholders' equity	¥65,198	¥63,276
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	50,678	49,657
Treasury stock	(14,375)	(15,275)
Total accumulated other comprehensive income	(1,184)	(719)
Valuation difference on available-for-sale securities	483	399
Foreign currency translation adjustment	(549)	(80)
Remeasurements of defined benefit plans	(1,118)	(1,038)
Total net assets	¥64,013	¥62,556
Total liabilities and net assets	¥87,988	¥89,268

Point ② Notes and accounts payable—trade

The last day of the first six-month period of fiscal 2018 was on a bank holiday and this affected notes and accounts payable—trade.

Point ③ Treasury stock

A total of 408,900 shares of treasury stock amounting to ¥899 million were acquired during the first six months of fiscal 2018.

Consolidated Financial Statements

Statements of Income

Item	(Millions of yen)	
	1st half of FY2017 (6 months ended Sept. 30, 2016)	1st half of FY2018 (6 months ended Sept. 30, 2017)
Net sales	¥38,590	¥40,128
Printing equipment business	38,011	39,523
Japan	22,700	22,839
Americas	2,721	2,716
Europe	6,278	6,954
Asia	6,311	7,013
Real estate business and others	578	604
Cost of sales	16,145	17,820
Gross profit	22,445	22,307
Selling, general and administrative expenses	20,819	20,920
Operating income	1,625	1,387
Non-operating income	185	273
Non-operating expenses	89	75
Ordinary income	1,721	1,585
Extraordinary income	—	30
Extraordinary expenses	—	99
Income before income taxes and minority interests	1,721	1,516
Income taxes	595	295
Profit attributable to owners of parent	¥ 1,125	¥ 1,221

Point 4 Net sales

Net sales increased ¥1,538 million versus the same period of the previous fiscal year. Of this amount, the effect of foreign exchange rates amounted to ¥894 million.

Point 5 Gross profit

Gross profit declined ¥137 million from the same period of the previous year. The portion of net sales accounted for by products with a low gross profit ratio increased.

Point 6 Selling, general and administrative expenses

Selling, general and administrative expenses increased ¥100 million from the same period of the previous fiscal year. R&D expenses declined due to a slowing of new products releases.

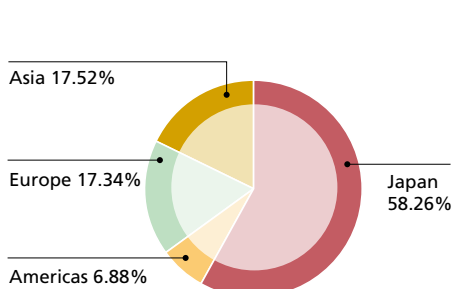
Point 7 Operating income

Operating income declined ¥238 million from the same period of the previous fiscal year. The amount of the effects of exchange rates was ¥187 million.

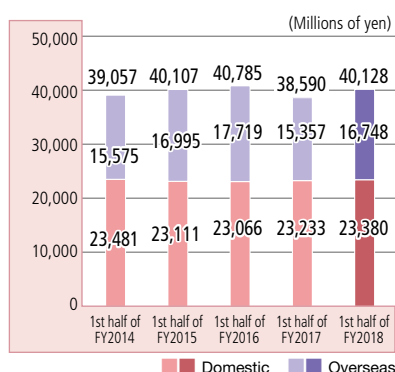
Statements of Cash Flows

Item	(Millions of yen)	
	1st half of FY2017 (6 months ended Sept. 30, 2016)	1st half of FY2018 (6 months ended Sept. 30, 2017)
Net cash provided by (used in) operating activities	¥ 2,541	¥ 5,475
Net cash provided by (used in) investment activities	(1,422)	(124)
Net cash provided by (used in) financing activities	(3,916)	(3,128)
Effect of exchange rate change on cash and cash equivalents	(711)	136
Net increase (decrease) in cash and cash equivalents	(3,508)	2,359
Cash and cash equivalents at beginning of period	19,388	14,701
Cash and cash equivalents at end of period	¥15,879	¥17,060

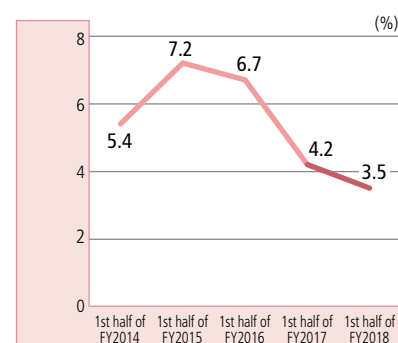
Sales by region (1st half of FY2018)



Net sales (Interim period)



Operating income margin (Interim period)



Launch of Six Models in Two RISOGRAPH Series

In October 2017, RISO launched a total of six models of RISOGRAPH digital duplicators that include four models in the new RISOGRAPH MF series and two models in the RISOGRAPH SF series. These two series of new products feature upgraded base engines and renewed designs. As top-of-the-line models in digital duplicators, these models further advanced basic performance and significantly improved image quality and ease of use. The two-color RISOGRAPH MF series incorporates a color scanner that reads the color of original color documents, which enables an accurate color separation in the master-making process in order to create two-color masters. Moreover, the finish can be previewed on a large-sized LCD touch panel, which makes two-color printing easier than with previous models.

RISOGRAPH SF939G/939, top-of-the-line models of one-color digital duplicators that use a stable, high-speed paper feeding system technology to realize the industry's highest printing speed of 190 pages per minute, were renewed for the first time in three years.

Regarding inks, RISO offers a total of 22 new colors in rice ink, which use domestically produced rice bran oil to realize an environmentally conscious ink while raising the quality of ink. In the previous year, the rice ink newly developed by RISO was available only for black ink, but RISO has now expanded its line of rice inks to color inks as well.



RISOGRAPH SF939G (one-color model)



RISOGRAPH MF935W (two-color model)

Launch of GOCCOPRO QS2536 Digital Screen Makers

In September 2017, RISO launched GOCCOPRO QS2536, a top-end model in the GOCCOPRO series of digital screen makers, in various countries around the world. The GOCCOPRO QS2536 adopts a newly developed line thermal head with perforation density of 1,200 dpi and realizes high-resolution printing. The GOCCOPRO QS2536 can handle large-sized standard frames that can be installed on automatic T-shirt printers, which are used widely in the U.S. screen printing industry. In May 2017, the GOCCOPRO QS2536 appeared as a reference exhibit at FESPA 2017, Europe's largest screen printing and digital printing industry fair, in Hamburg, Germany, and was highly acclaimed by numerous visitors.



GOCCOPRO QS2536



FESPA 2017 (Hamburg, Germany)

Holding “~From Ibaraki toward the World~ RISO Kagaku x Antlers Family Day 2017”

On October 14, 2017, RISO held a support event for the Kashima Antlers soccer team called “~From Ibaraki toward the World~RISO Kagaku x Antlers Family Day 2017” at Kashima Soccer Stadium in Ibaraki Prefecture. The event was held during the Kashima Antlers vs Sanfrece Hiroshima match in the Meiji Yasuda Life J1 League Section 29. Original hand towels that were printed with aqua ink using masters produced by the GOCCOPRO digital screen maker through its digital screen making process were presented to the first 15,000 people arriving at the venue on the day of the match.



An event for experiencing products



©Kashima Antlers

Flower bouquet presentation before kickoff

Kashima Antlers

Based in Japan's Kashima City (approximately 80km northeast of Tokyo) in Ibaraki Prefecture, the Kashima Antlers are a club team and member of the JAPAN PROFESSIONAL FOOTBALL LEAGUE (J-League). The team has been a J-League member since the establishment of the league in 1992. The Antlers have won the most titles (19 times) in Japan and many of its athletes have played for Japan's national teams. Former Brazil representative Zico has also been a member of the Antlers, both as a player and a coach.



©WILEX

Classes for Experiencing Printing with the RISOGRAPH Held at Elementary School Eco Event

On June 24, 2017, RISO held a class called “Let's create business cards using eco-friendly rice ink” at the Eco Festival environmental learning event held at Obukuroh Elementary School in Koshigaya, Saitama Prefecture. This year marked the 19th time Obukuroh Elementary School has held the Eco Festival. This time, 21 companies and groups planned and operated booths (classrooms) on environmental themes and held a variety of classes for children.



A class at the Eco Festival

Sustainability Report 2017 Published

In August 2017, RISO published *Sustainability Report 2017*. This report widely introduces the environmental initiatives undertaken by RISO in fiscal 2017. As in other years, the report was created incorporating a color universal design.

Donating Relief Funds for the Northern Kyushu Heavy Rain Disaster in 2017

RISO donated a total of ¥1 million in relief funds to the Community Chest of Fukuoka and to Oita Prefecture to support victims of the heavy rainfalls that occurred in northern Kyushu in July 2017 and to assist with reconstruction of the devastated area. RISO sincerely wishes for the quickest possible recovery in the disaster areas.



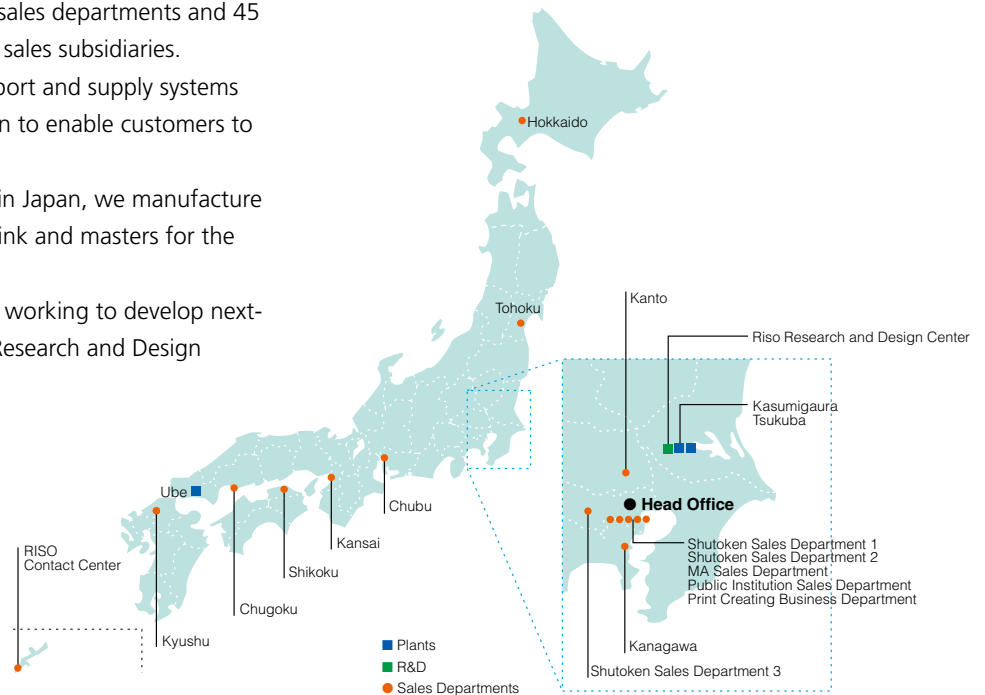
Sustainability Report 2017

Facilities in Japan

RISO's sales network encompasses 14 sales departments and 45 sales branches and 2 offices as well as sales subsidiaries. Additionally, we provide technical support and supply systems for consumables throughout the nation to enable customers to use our products with assurance.

At our three manufacturing bases in Japan, we manufacture hardware and ink for the ORPHIS and ink and masters for the RISOGRAPH.

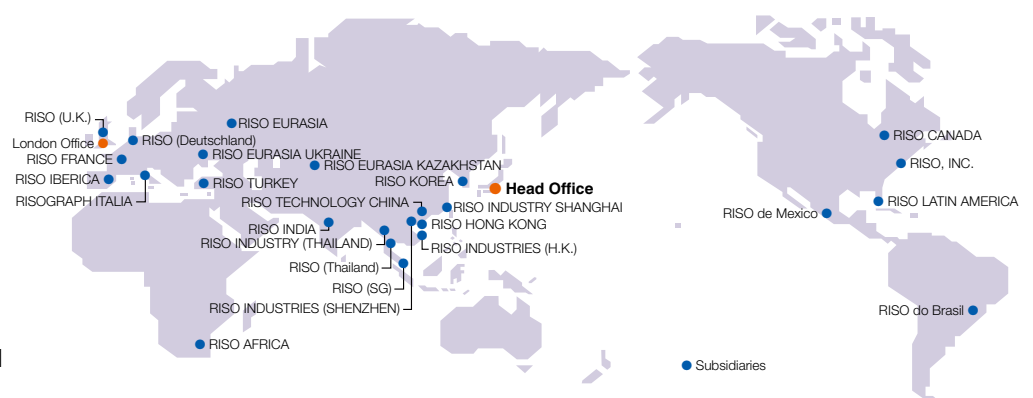
Our development departments are working to develop next-generation RISO products at the Riso Research and Design Center in Ibaraki Prefecture.



Global Network

Our wide-spanning network, centering on 26 overseas subsidiaries, engages in sales of ORPHIS and RISOGRAPH hardware, provides technical support and also supplies consumables. RISOGRAPH hardware is produced at the manufacturing plants of RISO INDUSTRIES (SHENZHEN) LTD. and RISO TECHNOLOGY CHINA CO., LTD. in China and RISO INDUSTRY (THAILAND) CO., LTD. in Thailand.

Over 3,600 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 do Brasil Ltda.
RISO (U.K.) LTD.
RISO (Deutschland) GmbH
RISO FRANCE S.A.
RISO IBERICA, S.A.

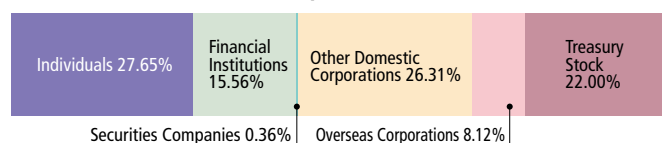
RISOGRAPH ITALIA S.R.L.
RISO EURASIA LLC
RISO EURASIA KAZAKHSTAN LLC
RISO EURASIA UKRAINE LLC
RISO TURKEY BASKI COZUMLERI A.S.
RISO AFRICA (PTY) LTD.
RISO INDUSTRIES (H.K.) LTD.
RISO INDUSTRIES (SHENZHEN) LTD.
RISO TECHNOLOGY CHINA CO., LTD.

RISO INDUSTRY SHANGHAI CO., LTD.
RISO HONG KONG LTD.
RISO (Thailand) LTD.
RISO INDUSTRY (THAILAND) CO., LTD.
RISO INDIA PRIVATE LTD.
RISO KOREA LTD.
RISO (SG) PTE. LTD.

Stock Information (As of September 30, 2017)

Number of shares:	135,680,000 (No change from the end of the previous period)
Number of shares issued:	47,406,332 (No change from the end of the previous period)
Number of shareholders:	2,395 (A increase of 209 persons from the end of the previous period)

Breakdown of stock ownership



Major Shareholders (Top 10 Shareholders)	Number of shares owned (thousands of shares)	Shareholding ratio (%)
RISO KAGAKU CORPORATION	10,427	22.00
RISO Limited	4,941	10.42
Riso Educational Foundation	2,661	5.61
Akatsuki Kosan Co., Ltd.	1,959	4.13
RISO KAGAKU CORPORATION Employees' Shareholding Association	1,630	3.44
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.	1,567	3.31
Osamu Hayama	1,194	2.52
Takashi Hayama	1,180	2.49
Akira Hayama	1,169	2.47
Mariko Ito	1,104	2.33

Repurchase of Treasury Stock

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

Number of shares repurchased: 408,900 shares
Total repurchased amount: ¥899 million

Corporate Data (As of September 30, 2017)

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	1,759 (3,656 for the RISO Group)
Subsidiaries	28 companies (domestic: 2; overseas: 26)

Board of Directors and Auditors

President & CEO (Representative Director)	Akira Hayama
Director	Yasunobu Takahashi
Director	Shoichi Ikejima
Director	Yoshiomi Narumiya
Director	Kenji Oshima
Director	Toshiaki Yatabe*
Standing Auditor	Yasuo Tazawa
Standing Auditor	Nobuyoshi Shirai
Auditor	Yoshinari Iizuka*
Auditor	Shinji Hatta*

Note: "*" refers to outside director and outside auditors, as stipulated under Item 15 and 16 of Article 2 of the Corporate Law.

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.

RISO KAGAKU CORPORATION

5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan
Tel: +81(0)3-5441-6661
Fax: +81(0)3-5441-6668
<http://www.riso.co.jp/english/>