

# **Briefing on Business Results for the Six Months of FY2012**

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(From April 1, 2011 to September 30, 2011)

**RISO KAGAKU CORPORATION**

November 4, 2011

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## ■Notes on the descriptions in this briefing

The amounts indicated have been rounded down to a million yen unless otherwise noted.

## ■A note on the description relating to forecasts

The following statements, including forecasts, contained in these materials are based on information currently available to the Company. Actual business may differ substantially from the forecasts due to various factors in the future.



# First Half of FY2011 Performance Overview

- Sales decreased owing to low overseas sales and foreign exchange impact
- Income decreased because of increased SG&A expenses such as goodwill and R&D

(Millions of Yen)

		First Half of FY2012	First Half of FY2011	Difference (year-on-year)		Calculated with exchange rates of the previous year
				Amount	Growth%	Growth%
Net sales		35,944	37,455	-1,511	-4.00%	-2.40%
Gross profit		19,320	18,553	767	4.10%	5.60%
Selling, general and administrative expenses		18,043	16,704	1,339	8.00%	9.40%
Operating income		1,276	1,848	-572	-31.00%	-28.90%
Ordinary income		1,095	1,956	-861	-44.00%	
Net income		1,010	1,812	-801	-44.20%	
Exchange Rates	Yen/US\$	79.82	88.95			
	Yen/Euro	113.79	113.85			



# First Half of FY2012 Performance Overview

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## Net sales

**Decreased owing to low overseas sales and foreign exchange impact**

- Sales: ¥35,944 million, down ¥1,511 million YOY (forexc impact: minus ¥614million)
- Inkjet business up 4.1%, digital duplicating business down 5.3% YOY
- Inkjet business represents 33% of consolidated sales (up 2 points YOY)
- Overseas sales represent 36.0% (down 3.1 points YOY)
  - Japan: strong inkjet sales continued, covering decrease in digital duplicating business
  - Americas: low sales and foreign exchange impact continued
  - Europe: Inkjet sales recovered in Q2, while digital duplicating business decreased

## Gross profit

**Increased because of lowered manufacturing cost, as a result of the inkjet printer production becoming in-house**

- Cost of sales decreased as manufacturing cost of the inkjet printer was lowered
- Gross profit: ¥19,320 million, up ¥767 million YOY
- Gross profit ratio: 53.8% (up 4.3 points YOY)

# First Half of FY2012 Performance Overview

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## Selling, general and administrative exp.

### Amortization of goodwill and R&D expenses

increased owing to the purchase of inkjet business

- SG&A: ¥18,043 million, up ¥1,339 million YOY
  - Increase owing to the business purchase: approx. ¥970 million
    - (1) Amortization of goodwill: ¥329 million
    - (2) Amortization of intellectual properties: ¥141 million
    - (3) Research and development expenses: approx. ¥500 million
  - Increase of personnel expenses: approx. ¥300 million worldwide
- SG&A ratio: 50.2% (up 5.6 points YOY)

## Operating income

### Decreased

- Operating income: ¥1,276 million, down ¥572 million YOY
- Operating income ratio: 3.6% (down 1.3 points YOY)



# First Half of FY2012 Performance Overview

Net Sales		(Millions of Yen)				
	First Half of FY2012		First Half of FY2011		Difference	
	Amount	Ratio	Amount	Ratio	Amount	Growth
Printing equipment business	35,168	97.8%	36,636	97.8%	-1,467	-4.0%
Japan	22,254	61.9%	22,019	58.8%	235	1.1%
Americas	2,758	7.7%	3,717	9.9%	-959	-25.8%
Europe	5,927	16.5%	6,397	17.1%	-470	-7.4%
Asia	4,228	11.8%	4,502	12.0%	-274	-6.1%
Real estate business & others	775	2.2%	818	2.2%	-43	-5.3%

  

Operating Income		(Millions of Yen)				
	First Half of FY2012		First Half of FY2011		Difference	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Growth
Printing equipment business	1,042	2.9%	1,541	4.1%	-499	-32.4%
Japan	1,771	4.9%	1,552	4.1%	219	14.1%
Americas	-547	-	-747	-	199	-
Europe	-439	-	146	0.4%	-585	-
Asia	257	0.7%	589	1.6%	-332	-56.3%
Real estate business & others	233	0.7%	306	0.8%	-72	-23.8%



# Main Focuses for FY2012

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## ■ Challenges our Company group has to address

- (1) Accelerate the growth speed of inkjet business
- (2) Aim to maintain and recover the digital duplicating business which is on downward trend

## ■ Main Focuses for FY2012

- (1) Steady production and continuous shipment of consumables and hardware
- (2) Establishment of inkjet development and production systems for entirely in-house operations
- (3) Development, cultivation and strengthening of overseas sales channels
- (4) Cultivating new market segments and strengthening relationships with customers in existing sales channels in Japan

## First Half of FY2012 Activity Overview

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- Maintained steady production and shipment of hardware and consumables in the aftermath of the Great East Japan Earthquake
  - Utilized substitute materials for part of products in an effort to maintain continuous shipment to the customers
  
- Operated the inkjet business independently
  - Commenced production of Orphis hardware at the Company's Tsukuba Plant in August 2011
  - Completed transfer of intellectual properties and know-how, and merged ORTEK CORPORATION on September 30, 2011
  
- Set up a manufacturing subsidiary in Thailand on June 20, 2011
  - Commencement of production, which was scheduled for January 2012, has been postponed owing to the flood
  
- Other special events
  - Purchase of treasury stock (in August and September 2011)
    - Number of shares purchased: 1,801,000 shares
    - Total purchase cost: ¥1,499 million



# Tasks in the 2nd half

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- Cultivation and strengthening of overseas sales channels
  - Inkjet business: To accelerate development of sales channels and continue cultivation of existing distributors
  - Digital duplicating business: To secure profit through providing products and services that reflect regionally specific needs
  
- Building up a production system in Thailand
  - To push forward commencement of production, taking into consideration the effects of the flood and future circumstances
  
- Resuming the plan to construct an R&D facility in Tsukuba
  - To prepare for resuming the plan, which has been suspended owing to the Great East Japan Earthquake
  - To integrate 4 facilities of R&D Division in Ibaraki prefecture into one facility in Tsukuba city to shorten development period by improved efficiency

# Forecast for FY2012

(Millions of Yen)

	FY2012 Forecast	FY2011 Actual	Difference	
			Amount	Growth
Net sales	75,700	76,897	-1,197	-1.6%
Operating income	3,600	4,406	-806	-18.3%
Ordinary income	3,550	4,939	-1,389	-28.1%
Net income	3,500	6,288	-2,788	-44.3%
Operating income margin	4.8%	5.7%		
Consolidated ROE	5.7%	10.4%		
Exchange Rates				
Yen/US \$	79.00	85.72		
Yen/EURO	109.00	113.12		



## Forecast for FY2012 - Precondition -

### ■ Assumed exchange rate

FY2012	First Half Actual	Second Half Assumed	Full-Year Assumed
1 US\$	¥ 79.82	¥ 78.00	¥ 79.00
1 Euro	¥113.79	¥103.50	¥109.00

### ■ Impact of fluctuation of exchange rate (¥1/term)

(when the value of the yen shifts 1 yen in the full term)

	Net sales	Operating income
Yen/US\$	130 million yen	11 million yen
Yen/Euro	80 million yen	55 million yen

## (reference data)

(Millions of Yen)

	FY2012 Forecast			FY2011 Actual	
	Amount	Ratio to net sales	Difference (YOY)	Amount	Ratio to net sales
Net sales	75,700	100.0%	-1.6%	76,897	100.0%
Printing equipment business	74,030	97.8%	-1.5%	75,191	97.8%
Japan	46,300	61.2%	0.5%	46,082	59.9%
Americas	5,540	7.3%	-17.9%	6,747	8.8%
Europe	13,160	17.4%	-0.3%	13,203	17.2%
Asia	9,030	11.9%	-1.4%	9,157	11.9%
Real estate business & others	1,670	2.2%	-2.1%	1,705	2.2%
Gross profit	41,000	54.2%	6.2%	38,624	50.2%
Selling, general & administrative expenses	37,400	49.4%	9.3%	34,217	44.5%
Operating Income	3,600	4.8%	-18.3%	4,406	5.7%
Ordinary Income	3,550	4.7%	-28.1%	4,939	6.4%
Net Income	3,500	4.6%	-44.3%	6,288	8.2%
R&D expenditure	5,500	7.3%	39.4%	3,945	5.1%
Capital expenditure	5,500	7.3%	0.7%	5,461	7.1%
Depreciation and amortization	5,000	6.6%	3.6%	4,827	6.3%

