

---

---

**BRIEFING ON BUSINESS  
RESULTS  
- FY 2006 -**

---

---

**RISO KAGAKU CORPORATION  
May 12,2006**



RISO KAGAKU CORPORATION  
<http://www.riso.co.jp/>

# Index

---

1. Summary of Business Result in FY 2006	Slide	3 ~ 4
2. Performance Overview	Slide	5 ~ 7
3. Activity Overview	Slide	8 ~ 11
4. Medium-term Management Plan Overview	Slide	12 ~ 14
5. Main focuses for FY 2007	Slide	15 ~ 16
6. Forecast for FY 2007	Slide	17 ~ 18



# Summary of Business Result in FY 2006 (1)

---

- Increased Sales with Profit Decline
  - Sales Amount
    - Ink Jet Business (ORPHIS), progressed smoothly. Sales increased.
    - Digital Duplicating Business (Risograph), short of target in domestic and European market. Sales decreased.
  - Operating Income decreased 1.7 billion yen from the previous year
    - Selling , General and Administrative Expenses increased by 1.7 billion yen from previous year.



## Summary of Business Result in FY 2006 (2)

<Consolidated Base>

(Millions of Yen )

		FY2005	FY2006	Difference: Year –on-year Base	
				Amount	Rate of Change
Net Sales		85,161	87,601	2,439	2.9%
Gross Profit		45,302	45,249	-52	-0.1%
Operating Income		6,574	4,812	-1,762	-26.8%
Recurring Income		5,883	4,552	-1,330	-22.6%
Net Income		3,280	2,154	-1,126	-34.3%
Exchange Rates	Yen/US\$	107.55	113.31		
	Yen/EURO	135.19	137.86		



# FY 2006 Performance Overview (1)

---

## Sales by Region

– Actual value comparison –

(Millions of Yen)

	Americas	Europe	Asia	Japan	Total
FY2006	13,040	17,802	10,327	46,431	87,601
Rate of Change	-0.4%	3.9%	3.4%	3.3%	2.9%
FY2005	13,099	17,138	9,990	44,933	85,161



## FY2006 Performance Overview (2)

---

### Sales by Region

– Calculated with the exchange rate of the previous year –

(Millions of Yen)

	Americas	Europe	Asia	Japan	Total
FY2006	12,377	17,447	9,764	46,431	86,020
Rate of Change	-5.5%	1.8%	-2.3%	3.3%	1.0%
FY2005	13,099	17,138	9,990	44,933	85,161

Exchange rate fluctuation resulted in gain of ¥1,581 million



# FY2006 Performance Overview (3)

---

## Operating Income by Geographic Area

(Millions of Yen)

	America	Europe	Asia	Japan	Inter-segment Elimination	Total
FY2006	-1,070	549	605	5,220	-492	4,812
Rate of Change	-	-26.3%	55.1%	-13.2%	154.9%	-26.8%
FY2005	-379	745	390	6,011	-193	6,574



# FY 2006 Activity Overview ( 1 )

---

## Management Objectives for FY 2006

- Expansion of inkjet business
- Sales expansion of one-pass two-color printers
- R&D, engineering and production operations in pursuit of overall optimization
- Quality enhancement of management mind
- Promotion of environment-conscious management and buildup of VCM\* system

\*VCM: Value Chain Management





# FY 2006 Activity Overview ( 2 ) 【 Inkjet Business 】

---

- Focuses of the Inkjet Business
  - Domestic: Deploy full-scale sales activities
  - Overseas: Establishment of sales channels in Europe and America
- Release of New Products
  - ORPHIS (RISO) HC5500 series
    - High printing speed of 120 ppm, improved versatility for thick paper
    - Introduced in domestic market in November 2005
  - Multi- function Finisher



ORPHIS (RISO) HC5500  
with Saddle Stitch Finisher System

- Results of Activities
  - Domestic
    - Overall target achieved; ink sales strong
    - Printer unit sales: below target
  - Overseas
    - Slow in establishing sales channel in America

## FY 2006 Activity Overview ( 3 ) 【Digital Duplicating Business】

---

- Focuses of Digital Duplicating Business
  - Challenge to standardize RISOGRAPH MZ series, one-pass two-color printer (to increase its share to 30% of printer unit sales in medium-term)
- Release of New Products
  - RISOGRAPH RZ7/9 series
    - A top-end model with printing speed of 180 ppm
    - Released in September 2005 in Japan; introduced in overseas markets during the fourth quarter.



RISOGRAPH MZ770

- Results of Activities
  - Sales of printers in Japan recovered
  - Brisk sales of MZ series
  - Sales of consumables fell below the previous year's level both in Japan and overseas,
  - Printer's unit price declining in Americas

## FY 2006 Activity Overview ( 4 )

---

- Other special events
  - Repurchase of own shares
    - Repurchased 70,000 shares for 301 million yen.
  - Stock split
    - Effective November 18, 2005, each share of common stock was divided into two shares.



## Medium-Term Management Plan “ Riso Vision 07 ” Overview (1)

---

The three-year management plan started in the fiscal year ended March 2005 and ending March 2007.

### 【Management Objectives】

Establish a foundation for growth through a new business (Inkjet) while expanding profit in core business (Digital Duplicating)

### 【Basic Policies】

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
6. Operating business in compliance with the law and consideration of the environment.

By implementing this medium-term management plan, we aim to achieve consolidated sales of 100 billion yen and operating income margin of 10% at year-end in FY2007.



## Medium-Term Management Plan “ Riso Vision 07 ” Overview (2)

---

- Accelerating new product development and strengthening development system
  - Organizational reform of the R&D and concurrent engineering are producing results
  - Release of new products 

	<u>Released</u>
– RISOGRAPH MZ series (One-pass two-color printer)	Dec. 2004
– RISOGRAPH RZ330 (Digital printer)	May 2005
– RISOGRAPH RZ7/9 series (Digital printer)	Sept. 2005
– ORPHIS Multi-Function Finisher	July 2005
– ORPHIS HC5500 (High-speed full-color printer)	Nov. 2005
- Making challenges for further expansion of digital duplicating business
  - Despite efforts to expand the digital duplicating business, sales have declined for two consecutive periods.
    - Domestic: Introduced the one-pass two-color printer, but overall sales declined owing to slow sales of consumables.
    - Overseas: Generally slow (particularly in the American market)



## Medium-Term Management Plan “ Riso Vision 07 ” Overview (3)

---

- Establishing a new ink jet printing business
  - The market has accepted the concept of the low running cost high-speed-full-color printer
  - As for the establishment of sales channels, steady progress is being achieved in the domestic market.  
In the overseas market, America is progressing slowly.
  - Brisk sales for ink, while sales of printers are below target.
- Building the production and distribution system enabling low operation cost and inventory level.
  - VCM Project has been launched, and now being implemented.



## Main focuses for FY 2007 (1)

---

With full realization of the fact that sales of digital duplicating business have been declining for the last two consecutive periods, we are set to drastically reform every aspect of corporate management in order to transform the business structure.

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



## Main focuses for FY 2007 (2)

---

- Increasing market share and improving profitability in the digital duplicating business
  - Sales expansion of one-pass two-color printer, RISOGRAPH MZ series
    - Challenge to standardize RISOGRAPH MZ series
    - Release new model RISOGRAPH MZ970
- Accelerating sales of ORPHIS (RISO) HC series
  - To Introduce ORPHIS count charge system
  - To build overseas sales networks
- Reorganizing the operation of the American subsidiary





# Forecast for FY 2007 (1)

<Consolidated Base>

(Millions of Yen )

	FY2006 Actual	FY2007 Forecast	Difference: Year-on-year Base	
			Amount	Rate of Change
Net Sales	87,601	89,900	2,299	2.6%
Operating Income	4,812	5,300	488	10.1%
Recurring Income	4,552	4,700	148	3.2%
Net Income	2,154	2,900	746	34.6%
Consolidated ROE	3.2%	4.1%		
Operating Income Margin	5.5%	5.9%		
Exchange Rates	Yen/US\$	113.31	110.00	
	Yen/EURO	137.86	135.00	



## Forecast for FY 2007 (2) – Precondition –

---

Assumed Exchange Rate

1 Dollar :110.00 Yen

1 Euro :135.00 Yen

Financial Effects in Exchange Rate Fluctuation

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

	Net Sales	Operating Income
Yen/US\$	180 million yen	60 million yen
Yen/EURO	100 million yen	50 million yen