

Consolidated Financial Results
for the Six Months of the Fiscal Year Ending March 31, 2018
<under Japanese GAAP>

Company name: **RISO KAGAKU CORPORATION**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 6413
URL: <http://www.riso.co.jp/english/>
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Scheduled date to file Quarterly Report: November 9, 2017
Scheduled date of dividend payment commencement: –
Preparation of supplementary information on quarterly business results: Yes
Holding of briefing on quarterly business results: Yes (for analysts, in Japanese)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the six months of the fiscal year ending March 31, 2018
(from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2017	40,128	4.0	1,387	(14.7)	1,585	(7.9)	1,221	8.6
September 30, 2016	38,590	(5.4)	1,625	(40.6)	1,721	(36.2)	1,125	(39.2)

Note: Comprehensive Income

Six months ended September 30, 2017: 1,686 million yen / – %

Six months ended September 30, 2016: (389) million yen / – %

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2017	32.88	–
September 30, 2016	29.18	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2017	89,268	62,556	70.1
March 31, 2017	87,988	64,013	72.8

Reference: Shareholders' Equity As of September 30, 2017: 62,556 million yen As of March 31, 2017: 64,013 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	–	0.00	–	60.00	60.00
Fiscal year ending March 31, 2018	–	0.00			
Fiscal year ending March 31, 2018 (Forecasts)			–	60.00	60.00

Note: Revisions to the forecasts of cash dividends in the current quarter: None

3. Forecasts for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2018	83,500	0.6	4,400	10.2	4,400	6.6	3,000	10.1	80.94

Note: Revisions to the forecasts in the current quarter: None

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of peculiar accounting methods for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement
- Changes due to revisions to accounting standards and other regulations: None
 - Changes due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2017	47,406,332 shares
As of March 31, 2017	47,406,332 shares

- b. Number of treasury stock at the end of the period

As of September 30, 2017	10,427,045 shares
As of March 31, 2017	10,018,145 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended September 30, 2017	37,150,991 shares
Three months ended September 30, 2016	38,570,734 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of the forecasts, and other special matters

The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company. These statements do not purport that the Company pledges to achieve such performance. Actual business may differ substantially from the forecasts due to various factors in the future.

* How to obtain quarterly financial results briefing materials

The Company plans to hold a briefing for securities analysts on November 7, 2017. The briefing material and quarterly financial results used on that day will be made available on the Company's website after the briefing.

Attached Materials

Index

1. Qualitative Information regarding Consolidated Results for the Six Months.....	2
(1) Explanation on consolidated operating results.....	2
(2) Explanation on consolidated financial position	3
(3) Explanation on future estimates information pertaining to consolidated earnings forecasts	3
(4) Explanation on research and development activities	3
2. Consolidated Quarterly Financial Statements	4
(1) Consolidated quarterly balance sheets	4
(2) Consolidated quarterly statements of (comprehensive) income	6
(3) Consolidated quarterly statements of cash flows	8
(4) Notes on quarterly consolidated financial statements	9
(Notes on premise of going concern).....	9
(Notes on significant changes in the amount of shareholders' equity)	9
(Segment information).....	9
(Subsequent event).....	10

1. Qualitative Information regarding Consolidated Results for the Six Months

(1) Explanation on consolidated operating results

The RISO Group (RISO) has been following its medium-term management policy of “accomplishing 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”.

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 depreciation of the yen in some regions, 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 was 40,128 million yen (up 4.0% year on year), operating income was 1,387 million yen (down 14.7% year on year), ordinary income was 1,585 million yen (down 7.9% year on year) and profit attributable to the owners of parent was 1,221 million yen (up 8.6% year on year).

The average exchange rates during the current consolidated three months period were 111.06 yen to the U.S. dollar and 126.29 yen to the euro (compared to the same period of the previous fiscal year, the yen depreciated by 5.77 yen against the U.S. dollar and depreciated by 8.14 yen against the euro).

Results by segment are as follows:

a. Printing equipment business

RISO, as part of its printing equipment business, engages in the inkjet business, principally with its ORPHIS high-speed color printers, as well as the digital duplicating business, consisting mainly of its RISOGRAPH digital duplicators.

Net sales for the printing equipment business were 39,523 million yen (up 4.0% year on year). Operating income was 1,198 million yen (down 22.0% year on year).

Japan

In the inkjet business, sales continued to increase steadily, and net sales increased year on year. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 22,839 million yen (up 0.6 % year on year). Operating income was 1,465 million yen (up 20.0% year on year), due to decreases in sales expenses.

The Americas

In the inkjet business, due to good results for new products introduced in the previous fiscal year, net sales increased year on year. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 2,716 million yen (down 0.2 % year on year), although the depreciation of the yen had some effect. Operating losses were 309 million yen (compared to operating losses of 183 million yen in the same period of the previous fiscal year).

Europe

In the inkjet business, sales of new products that were introduced in the previous fiscal year continued to be favorable, and net sales increased year on year. In the digital duplicating business, net sales fell below the previous year’s level. Overall sales were 6,954 million yen (up 10.8 % year on year), partly boosted by the depreciation of the yen. Due to an increase in the portion of net sales accounted for by products with a low gross profit ratio, an operating loss of 72 million was recorded (compared to operating income of 146 million yen of the corresponding period of the previous fiscal year).

Asia

In the inkjet business, sales of new products that were introduced in the previous fiscal year continued to remain strong steadily, and net sales increased year on year. In the digital duplicating business, net sales fell below the previous year's level. Overall sales were 7,013 million yen (up 11.1 % year on year) , partly boosted by the depreciation of the yen. Due to an increase in the portion of net sales accounted for by products with a low gross profit ratio and an increase in selling expenses, operating income was 114 million yen (down 67.3% year on year).

b. Real estate business and others

RISO operates a real estate business as well as a print creating business. Net sales in the real estate and others were 604 million yen (up 4.5% year on year), and operating income was 188 million yen (up 110.6% year on year).

(2) Explanation on consolidated financial position

The financial position of RISO at the end of the current quarter compared to the end of the previous fiscal year is as follows.

Total assets rose 1,279 million yen to 89,268million yen, while net assets fell 1,456 million yen to 62,556 million yen. As a result, the equity ratio moved down 2.7 points to 70.1%.

The main changes in the assets portion include an increase of 1,576 million yen in cash and deposits, 707 million yen in merchandise and finished goods, in contrast to decreases of 1,852 million yen in notes and accounts receivable-trade. In the liabilities portion, there was an increase of 1,165 million yen in notes and accounts payable-trade, 575 million yen in income taxes payable and 774 million yen in other current liabilities.

(Cash flows)

Net cash provided by operating activities was 5,475million yen (up 115.5% year on year). This is mainly attributable to income before income taxes and minority interests of 1,516 million yen, depreciation and amortization of 1,507 million yen, a decrease in notes and accounts receivable-trade of 2,249million yen, an increase in notes and accounts payable-trade of 840 million yen, an increase in accounts payable-other of 203 million yen, an increase in inventories of 610 million yen, and taxes paid of 159 million yen.

Net cash used in investing activities was 124million yen (down 91.3% year on year). This is primarily the result of the 2,032 million yen in proceeds from withdrawal of time deposits, 1,265 million yen expenses for payments into time deposits, 750 million yen for the purchase of property, plant and equipment, and 259 million yen for the purchase of intangible assets.

Net cash used in financing activities was 3,128 million yen (down 20.1% year on year). The result mainly reflects net decrease of 899 million yen for the purchase of treasury stock and payments of 2,242 million yen for cash dividends.

(3) Explanation on future estimates information pertaining to consolidated earnings forecasts

There has been no revision to the consolidated forecasts for the fiscal year ending March 31, 2018, which were released on May 9, 2017.

(4) Explanation on research and development activities

Expenses for RISO's research and development activities in the current six months totaled 2,674 million yen. The main R&D activities were in the printing equipment business.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	15,058	16,634
Notes and accounts receivable-trade	15,393	13,541
Short-term investment securities	900	900
Merchandise and finished goods	8,987	9,694
Work in process	853	1,008
Raw materials and supplies	2,205	2,363
Deferred tax assets	2,011	2,244
Other	1,982	2,013
Allowance for doubtful accounts	(257)	(252)
Total current assets	47,134	48,148
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,904	20,949
Accumulated depreciation	(12,718)	(12,975)
Buildings and structures, net	8,185	7,973
Machinery, equipment and vehicles	6,388	6,722
Accumulated depreciation	(5,013)	(5,153)
Machinery, equipment and vehicles, net	1,375	1,568
Tools, furniture and fixtures	16,883	17,071
Accumulated depreciation	(15,581)	(15,881)
Tools, furniture and fixtures, net	1,302	1,190
Land	17,623	17,631
Lease assets	377	450
Accumulated depreciation	(189)	(203)
Lease assets, net	187	247
Construction in progress	23	51
Other	10,815	11,227
Accumulated depreciation	(6,486)	(6,505)
Other, net	4,328	4,721
Total property, plant and equipment	33,026	33,386
Intangible assets		
Software	1,261	1,204
Other	655	520
Total intangible assets	1,916	1,725
Investments and other assets		
Investment securities	1,981	1,885
Long-term loans receivable	28	22
Deferred tax assets	809	1,046
Other	3,134	3,095
Allowance for doubtful accounts	(41)	(42)
Total investments and other assets	5,911	6,007
Total noncurrent assets	40,854	41,119
Total assets	87,988	89,268

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
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
Income taxes payable	311	886
Provision for bonuses	1,707	1,773
Provision for directors' bonuses	50	37
Provision for product warranties	36	46
Other	6,196	6,970
Total current liabilities	21,194	23,868
Noncurrent liabilities		
Long-term loans payable	17	16
Net defined benefit liability	2,359	2,338
Other	405	487
Total noncurrent liabilities	2,781	2,843
Total liabilities	23,975	26,711
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	50,678	49,657
Treasury shares	(14,375)	(15,275)
Total shareholders' equity	65,198	63,276
Accumulated other comprehensive income		
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 accumulated other comprehensive income	(1,184)	(719)
Total net assets	64,013	62,556
Total liabilities and net assets	87,988	89,268

(2) Consolidated quarterly statements of (comprehensive) income**(Consolidated quarterly statements of income)**

	(Millions of yen)	
	Second Quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second Quarter ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net sales	38,590	40,128
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		
Interest income	50	53
Dividends income	25	26
Foreign exchange gains	—	21
Other	109	171
Total non-operating income	185	273
Non-operating expenses		
Interest expenses	30	31
Foreign exchange losses	21	—
Loss on retirement of noncurrent assets	17	25
Other	19	18
Total non-operating expenses	89	75
Ordinary income	1,721	1,585
Extraordinary income		
Gain on sales of investment securities	—	30
Total extraordinary income	—	30
Extraordinary losses		
Impairment loss	—	99
Total extraordinary losses	—	99
Profit (loss) before income taxes	1,721	1,516
Income taxes	595	295
Profit	1,125	1,221
Profit attributable to owners of parent	1,125	1,221

(Consolidated quarterly statements of comprehensive income)

(Millions of yen)

	Second Quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second Quarter ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Profit	1,125	1,221
Other comprehensive income		
Valuation difference on available-for-sale securities	7	(84)
Foreign currency translation adjustment	(1,625)	469
Remeasurements of defined benefit plans	103	79
Total other comprehensive income	(1,515)	465
Comprehensive income	(389)	1,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(389)	1,686
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Second quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second quarter ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,721	1,516
Depreciation and amortization	2,005	1,507
Amortization of goodwill	5	—
Impairment loss	—	99
Increase (decrease) in net defined benefit liability	(345)	82
Increase (decrease) in allowance for doubtful accounts	(32)	(14)
Interest and dividends income	(76)	(80)
Interest expenses	30	31
Foreign exchange losses (gains)	233	(28)
Loss (gain) on sales of investment securities	—	(30)
Decrease (increase) in notes and accounts receivable-trade	2,061	2,249
Decrease (increase) in inventories	(1,226)	(610)
Increase (decrease) in notes and accounts payable-trade	594	840
Increase (decrease) in accounts payable-other	(501)	203
Other, net	(1,041)	(181)
Subtotal	3,430	5,586
Interest and dividends income received	75	79
Interest expenses paid	(30)	(31)
Income taxes paid	(934)	(159)
Net cash provided by (used in) operating activities	2,541	5,475
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,948)	(1,265)
Proceeds from withdrawal of time deposits	3,142	2,032
Purchase of property, plant and equipment	(1,498)	(750)
Proceeds from sales of property, plant and equipment	38	31
Purchase of intangible assets	(234)	(259)
Collection of loans receivable	0	0
Other, net	76	86
Net cash provided by (used in) investing activities	(1,422)	(124)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(39)	59
Repayment of long-term loans payable	(0)	(0)
Purchase of treasury stock	(1,499)	(899)
Cash dividends paid	(2,332)	(2,242)
Other, net	(42)	(44)
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

(4) Notes on quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

The company purchased treasury stock during the current second quarter. As a result, treasury stock increased 899 million yen during the second quarter and amounted to 15,275 million yen at the end of the current second quarter.

(Segment information)

1. Second quarter ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	22,700	2,721	6,278	6,311	38,011	578	38,590
Segment income (loss)	1,221	(183)	146	350	1,535	89	1,625

Notes: 1. Real estate business and others includes real estate business and print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The Americas ···· U.S. and Canada
- (2) Europe ·········· Germany, United Kingdom and France
- (3) Asia ············ China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.

2. Second quarter ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	22,839	2,716	6,954	7,013	39,523	604	40,128
Segment income (loss)	1,465	(309)	(72)	114	1,198	188	1,387

Notes: 1. Real estate business and others includes real estate business and print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The Americas ···· U.S. and Canada
- (2) Europe ·········· Germany, United Kingdom and France
- (3) Asia ············ China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.

(Subsequent event)

(Purchase of Treasury Stock)

Riso Kagaku Corporation (the “Company”) announced that its Board of Directors resolved at the meeting held on November 2, 2017 to purchase treasury stock as described below, pursuant to the provisions of Article 156 of the Corporate Law as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Law.

- | | |
|--|---|
| (1) Reason for purchase of treasury stock: | The Company will conduct the purchase of treasury stock to carry out capital management that allows the Company to respond quickly to changes in the business environment and to distribute earnings to shareholders. |
| (2) Type of shares to be purchased: | Common stock of the Company |
| (3) Number of shares to be purchased: | Up to 160,000 shares |
| (4) Total purchase cost: | Up to 300,000,000 yen |
| (5) Purchase period: | From November 16, 2017 to December 15, 2017 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |