

Consolidated Financial Results
for the Three 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: August 8, 2017
 Scheduled date of dividend payment commencement: –
 Preparation of supplementary information on quarterly business results: None
 Holding of briefing on quarterly business results: None

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

1. Consolidated performance for the three months of the fiscal year ending March 31, 2018
(from April 1, 2017 to June 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	%
Three months ended								
June 30, 2017	20,178	3.2	840	(15.9)	928	(19.0)	702	3.4
June 30, 2016	19,556	(4.6)	999	(43.3)	1,146	(40.2)	679	(50.4)

Note: Comprehensive Income

Three months ended June 30, 2017: 929 million yen / – %

Three months ended June 30, 2016: (870) million yen / – %

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2017	18.85	–
June 30, 2016	17.53	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2017	85,889	61,999	72.2
March 31, 2017	87,988	64,013	72.8

Reference: Shareholders' Equity As of June 30, 2017: 61,999 million yen As of March 31, 2017: 64,013million 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	–				
Fiscal year ending March 31, 2018 (Forecasts)		0.00	–	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
Six months ending September 30, 2017	38,900	0.8	1,800	10.7	1,800	4.6	1,200	6.6	32.28
Fiscal year ending March 31, 2018	83,500	0.6	4,400	10.2	4,400	6.6	3,000	10.1	80.81

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
- a. Changes due to revisions to accounting standards and other regulations: None
 - b. Changes due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. 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 June 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 June 30, 2017	10,330,045 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 June 30, 2017	37,266,044 shares
Three months ended June 30, 2016	38,769,265 shares

* These Consolidated Financial Results are not subject to quarterly review procedures.

Attached Materials

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1. Qualitative Information regarding Consolidated Results for the Three 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”.

Concerning RISO’s consolidated operating results for the printing equipment business during the current three 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. As a result of these factors, net sales in the printing equipment business increased. In both the inkjet and digital duplicating businesses, the portion of net sales accounted for by hardware with a low gross profit ratio increased, and gross profit therefore decreased. Furthermore, both research and development expenditures and selling, general and administrative expenses decreased, but operating income fell below that recorded in the corresponding period of the previous fiscal year. Net sales was 20,178 million yen (up 3.2% year on year), operating income was 840 million yen (down 15.9% year on year) , ordinary income was 928 million yen (down 19.0% year on year) and profit attributable to the owners of parent was 702 million yen (up 3.4% year on year).

The average exchange rates during the current consolidated three months period were 111.09 yen to the U.S. dollar and 122.19 yen to the euro (compared to the same period of the previous fiscal year, the yen depreciated by 2.95 yen against the U.S. dollar and depreciated by 0.17 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 19,890 million yen (up 3.2% year on year). Operating income was 760 million yen (down 19.1% year on year).

Japan

In the inkjet business, sales of new products that were introduced in the previous fiscal year 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 11,463 million yen (up 1.2 % year on year). Operating income was 954 million yen (up 36.6% 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 1,320 million yen (up 2.3 % year on year). The operating loss was 184 million yen (compared to an operating loss of 93 million yen in the corresponding 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 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 3,472 million yen (up 5.2 % year on year). Due to an increase in the portion of net sales accounted for by products with a low gross profit ratio, an operating loss of 98 million was recorded (compared to operating income of 86 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 remained strong steadily, and net sales increased year on year. Overall sales were 3,634 million yen (up 8.6 % year on year). In the digital duplicating business, net sales exceeded the previous year's level. 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 89 million yen (down 64% 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 288 million yen (up 0.4% year on year), and operating income was 79 million yen (up 35.1% 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 fell 2,099 million yen to 85,889 million yen, while net assets fell 2,014 million yen to 61,999 million yen. As a result, the equity ratio moved down 0.6 points to 72.2%.

The main changes in the assets portion include increases of 598 million yen in cash and deposits and 485 million yen in merchandise and finished goods in contrast to a decrease of 3,244 million yen in notes and accounts receivable-trade. In the liabilities portion, there was an increase of 151 million yen in short-term loans payable in contrast to a decrease of 788 million yen in provision for bonuses.

(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 quarter totaled 1,394 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 June 30, 2017
Assets		
Current assets		
Cash and deposits	15,058	15,656
Notes and accounts receivable-trade	15,393	12,148
Short-term investment securities	900	900
Merchandise and finished goods	8,987	9,473
Work in process	853	880
Raw materials and supplies	2,205	2,228
Deferred tax assets	2,011	1,793
Other	1,982	2,120
Allowance for doubtful accounts	(257)	(263)
Total current assets	47,134	44,939
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,904	20,919
Accumulated depreciation	(12,718)	(12,877)
Buildings and structures, net	8,185	8,041
Machinery, equipment and vehicles	6,388	6,506
Accumulated depreciation	(5,013)	(5,110)
Machinery, equipment and vehicles, net	1,375	1,395
Tools, furniture and fixtures	16,883	17,003
Accumulated depreciation	(15,581)	(15,722)
Tools, furniture and fixtures, net	1,302	1,281
Land	17,623	17,625
Lease assets	377	428
Accumulated depreciation	(189)	(185)
Lease assets, net	187	243
Construction in progress	23	137
Other	10,815	10,873
Accumulated depreciation	(6,486)	(6,402)
Other, net	4,328	4,470
Total property, plant and equipment	33,026	33,196
Intangible assets		
Software	1,261	1,185
Other	655	575
Total intangible assets	1,916	1,761
Investments and other assets		
Investment securities	1,981	1,969
Long-term loans receivable	28	23
Deferred tax assets	809	904
Other	3,134	3,137
Allowance for doubtful accounts	(41)	(42)
Total investments and other assets	5,911	5,992
Total noncurrent assets	40,854	40,950
Total assets	87,988	85,889

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,568	11,555
Short-term loans payable	1,322	1,473
Current portion of long-term loans payable	1	1
Income taxes payable	311	254
Provision for bonuses	1,707	918
Provision for directors' bonuses	50	15
Provision for product warranties	36	40
Other	6,196	6,781
Total current liabilities	21,194	21,041
Noncurrent liabilities		
Long-term loans payable	17	17
Net defined benefit liability	2,359	2,348
Other	405	483
Total noncurrent liabilities	2,781	2,848
Total liabilities	23,975	23,890
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	50,678	49,138
Treasury stock	(14,375)	(15,075)
Total shareholders' equity	65,198	62,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	483	475
Foreign currency translation adjustment	(549)	(355)
Remeasurements of defined benefit plans	(1,118)	(1,078)
Total accumulated other comprehensive income	(1,184)	(958)
Total net assets	64,013	61,999
Total liabilities and net assets	87,988	85,889

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

	(Millions of yen)	
	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net sales	19,556	20,178
Cost of sales	7,705	8,846
Gross profit	11,850	11,332
Selling, general and administrative expenses	10,851	10,491
Operating income	999	840
Non-operating income		
Interest income	31	32
Dividends income	25	26
Foreign exchange gains	47	-
Insurance premiums refunded cancellation	34	27
Other	35	42
Total non-operating income	173	129
Non-operating expenses		
Interest expenses	15	15
Foreign exchange losses	-	12
Loss on retirement of noncurrent assets	9	5
Other	2	7
Total non-operating expenses	26	40
Ordinary profit	1,146	928
Extraordinary income		
Gain on sales of investment securities	-	30
Total extraordinary income	-	30
Profit (loss) before income taxes	1,146	958
Income taxes	466	256
Profit	679	702
Profit attributable to owners of parent	679	702

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Profit	679	702
Other comprehensive income		
Valuation difference on available-for-sale securities	(147)	(7)
Foreign currency translation adjustment	(1,454)	194
Remeasurements of defined benefit plans	51	39
Total other comprehensive income	(1,550)	226
Comprehensive income	(870)	929
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(870)	929
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 first quarter. As a result, treasury stock increased 699 million yen during the first quarter and amounted to 15,075 million yen at the end of the current first quarter.

(Segment information)

1. Three months ended June 30, 2016 (from April 1, 2016 to June 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	11,332	1,291	3,299	3,345	19,269	286	19,556
Segment income (loss)	698	(93)	86	248	939	59	999

Notes: 1. Real estate business and others includes real estate business, 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. Three months ended June 30, 2017 (from April 1, 2017 to June 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	11,463	1,320	3,472	3,634	19,890	288	20,178
Segment income (loss)	954	(184)	(98)	89	760	79	840

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 July 31, 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 110,000 shares |
| (4) Total purchase cost: | Up to 200,000,000 yen |
| (5) Purchase period: | From August 18, 2017 to September 8, 2017 |
| (6) Purchase method: | Purchased on the Tokyo Stock Exchange |