

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 <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/>  
 Representative: Akira Hayama, President & CEO  
 Inquiries: Kihachiro Endo, Managing Director and General Manager of Corporate Headquarters  
 TEL: +81-3-5441-6611 (from overseas)

Scheduled date of Regular General Meeting of Shareholders: June 24, 2016  
 Scheduled date of dividend payment commencement: June 27, 2016  
 Scheduled date to file Securities Report: June 27, 2016  
 Preparation of supplementary information on business results: Yes  
 Holding of briefing on business results: Yes (for analysts, in Japanese)

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

### 1. Consolidated performance for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	85,454	(0.3)	6,551	(4.2)	6,476	(7.5)	5,267	(6.3)
March 31, 2015	85,674	2.1	6,839	3.8	6,999	(2.7)	5,624	22.8

Note: Comprehensive income

Fiscal year ended March 31, 2016: 1,949 million yen / (75.4%) Fiscal year ended March 31, 2015: 7,936 million yen / 35.9%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2016	132.88	—	7.8	7.0	7.7
March 31, 2015	136.99	—	8.4	7.5	8.0

Reference: Equity in earnings (losses) of affiliates

Fiscal year ended March 31, 2016: — million yen Fiscal year ended March 31, 2015: — million yen

A two-for-one split of its common shares was conducted on January 1, 2015. As a result, net income per share stated above was calculated based on the assumption that the two-for-one stock split took place at the beginning of the fiscal year ended March 31, 2015.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2016	91,669	65,879	71.9	1,694.07
March 31, 2015	94,338	68,946	73.1	1,707.61

Reference: Shareholders' equity As of March 31, 2016: 65,879 million yen As of March 31, 2015: 68,946 million yen

## (3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2016	8,681	(952)	(5,902)	19,388
March 31, 2015	8,650	(1,403)	(4,261)	18,127

## 2. Cash dividends

	Cash dividends per share					Total dividends (annual)	Dividend pay-out ratio (consolidated)	Net assets-to dividend ratio (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million of yen	%	%
Fiscal year ended March 31, 2015	–	0.00	–	45.00	45.00	1,816	32.8	2.8
Fiscal year ended March 31, 2016	–	0.00	–	60.00	60.00	2,333	45.2	3.5
Fiscal year ending March 31, 2017 (Forecast)	–	0.00	–	60.00	60.00		83.3	

## 3. Forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2016	38,750	(5.0)	1,900	(30.6)	1,900	(29.6)	1,400	(24.3)	36.00
Fiscal year ending March 31, 2017	82,000	(4.0)	4,000	(38.9)	4,000	(38.2)	2,800	(46.8)	72.00

#### 4. Others

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies / changes in accounting estimates / restatement
- Changes due to revisions to accounting standards and other regulations: Yes
  - Changes due to other reasons: None
  - Changes in accounting estimates: None
  - Restatement: None

Note: For details, please see page 15, (Changes in Accounting Principles).”

(3) Number of issued shares (common stock)

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

As of March 31, 2016	47,406,332 shares
As of March 31, 2015	47,406,332 shares

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

As of March 31, 2016	8,518,192 shares
As of March 31, 2015	7,030,392 shares

- c. Average number of shares during the period

Fiscal year ended March 31, 2016	39,642,584 shares
Fiscal year ended March 31, 2015	41,056,821 shares

A two-for-one split of its common shares was conducted on January 1, 2015. As a result, number of issued share stated above was calculated based on the assumption that the two-for-one stock split took place at the beginning of the fiscal year ended March 31, 2015.

\* Indication regarding execution of audit procedures

This financial results report is not subject to the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for financial statements 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.

## Attached Materials

### Index

1. Business Results .....	2
(1) Analysis of Results.....	2
(2) Analysis of Financial Position.....	4
(3) Basic Policy for Earning Distribution and Current and Next Fiscal Year Dividends.....	4
2. Status of the Corporate Groupe .....	5
3. Management Policies.....	6
(1) Basic Managerial Policies and Medium to Long-Term Business Strategy .....	6
(2) Business Performance Target .....	6
(3) Issues to Address.....	7
4. Basic policy on the selection of accounting standards.....	7
5. Consolidated Financial Statements .....	8
(1) Consolidated balance sheets.....	8
(2) Consolidated statements of (comprehensive) income .....	10
(Consolidated statements of income).....	10
(Consolidated statements of comprehensive income).....	11
(3) Consolidated statements of changes in net assets .....	12
(4) Consolidated statements of cash flows .....	14
(Changes in Accounting Principles) .....	15
(Segment Information).....	16
(Subsequent events).....	20

## 1. Business Results

### (1) Analysis of Results

#### a. Results of the fiscal year under review

The RISO Group (RISO) formulated the Fifth Medium-term Management Plan (RISO Vision 16) with the final fiscal year of the period ending March 31, 2016, and followed its medium-term management policy of expanding sales channels and gaining new customers worldwide.

In the fiscal year under review, which was the final fiscal year of the Fifth Medium-term Management Plan, the Company worked on expanding sales channels, in order to gain new customers in Japan and overseas, and on expanding income from overseas businesses. As a result, growing sales of consumables in the inkjet business and good performance in Asia led to an increase in net sales. In the digital duplicating business, net sales remained on a downward trend with the exception of some emerging nations. Net sales for the Group as a whole declined slightly from the previous year to 85,454 million yen (down 0.3% year on year). Selling, general and administrative expenses were nearly level with the previous year, as the amortization of goodwill that arose as a result of the transfer of the inkjet business to the Company came to an end in the previous fiscal year on the one hand, and as selling expenses in Asia and development expenses for the development of new products both increased. Operating income was 6,551 million yen (down 4.2% year on year) and ordinary income was 6,476 million yen (down 7.5% year on year). Profit attributable to the owners of parent was 5,267 million yen (down 6.3% year on year), as a result of such factors as extraordinary income associated with the sale of the Shin-Osaka Building.

The average exchange rates during the consolidated fiscal year under review were 120.14 yen (a 10.21 yen depreciation of the yen year on year) for the US dollar and 132.58 yen (a 6.19 yen appreciation of the yen year on year) for the euro.

Results by segment are as follows:

- 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.

In the inkjet business, sales of hardware remained at the previous year's level in and outside Japan while sales of consumables increased steadily, and overall net sales remained firm. Sales in the digital duplicating business, on the other hand, continued on a downward trend. Net sales for the printing equipment business were 84,063 million yen (down 0.2% year on year). Operating income was 6,275 million yen (down 2.2% year on year).

#### Japan

In the inkjet business, hardware sales remained at the previous year's level whereas sales of consumables rose steadily, resulting in higher net sales. In the digital duplicating business, the trend of declining sales is continuing. Net sales were 47,276 million yen (down 1.0% year on year). Operating income was 4,674 million yen (down 10.2% year on year).

#### The Americas

In the inkjet business, sales of hardware and consumables in North America increased, and net sales exceeded the previous year's level. In the digital duplicating business, the trend of declining sales is continuing. Net sales were 6,195 million yen (up 6.9% year on year), due to the effect of exchange rates. Operating losses were 300 million yen (in the previous year operating losses were 534 million yen).

## Europe

In the inkjet business, whereas sales of consumables rose steadily, sales of hardware in France and the United Kingdom decreased, leading to lower sales compared to the previous year. In the digital duplicating business, sales declined. Partly due to the effect of exchange rates, net sales were 15,555 million yen (down 11.4% year on year) and operating income was 665 million yen (down 39.8% year on year).

## Asia

In the inkjet business, sales of both hardware and consumables were strong. In the digital duplicating business, sales remained nearly unchanged from the previous year. Although selling expenses associated with sales expansion increased, net sales were 15,035 million yen (up 15.0% year on year) and operating income was 1,236 million yen (up 94.3% year on year), partly due to the effects of exchange rates.

- Real estate business and others

RISO operates a real estate business focusing on leasing of the Omotesando Building and Shin-Osaka Building as well as a print creating business.

Net sales in the real estate and others were 1,391 million yen (down 5.9% year on year), and operating income was 276 million yen (down 34.8% year on year).

On March 31, 2016, the RISO Group, as mentioned above, sold Shin-Osaka Building.

## b. Business outlook for the next fiscal year

RISO will launch new high-speed color printers and digital duplicators worldwide and strive to gain new customers and expand sales channels, in order to ensure stable revenue and profit growth. Although the Company expects sales to increase in each region with the introduction of new products, net sales will fall below the previous year's level due to the effects of exchange rates. Operating income will also fall below that of the previous year due to an increase in depreciation and amortization on capital investment associated with the introduction of new products, an increase in selling expenses, and the effects of exchange rates. RISO forecasts net sales of 82,000 million (down 4.0% year on year) in the next fiscal year. In addition, it forecasts operating income of 4,000 million yen (down 38.9% year on year), ordinary income of 4,000 million yen (down 38.2% year on year), and profit attributable to the owners of parent net income of 2,800 million yen (down 46.8% year on year). The aforementioned forecast is premised on the exchange rates of 108 yen against US dollar and 122 yen against the euro.

## **(2) Analysis of Financial Position**

### **a. Assets, liabilities and net assets**

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

Total assets and net assets decreased 2,669 million yen and 3,066 million yen, respectively.

The main changes in the assets portion include an increase of 2,869 million yen in cash and deposits, in contrast to decreases of 1,689 million yen in short-term investment securities, 1,491 million yen in merchandise and finished goods, 1,266 million yen in buildings and structures, and 1,110 million yen in land. In the liabilities portion, there were increases of 419 million yen in income taxes payable and 852 million yen in net defined benefit liability, in contrast to a decrease of 965 million yen in short-term loans payable.

### **b. Cash flows**

Cash and cash equivalents (“cash”) at the end of the fiscal year under review increased by 1,260 million yen year on year to 19,388 million yen.

The positions and contributing factors of each cash flow in the fiscal year under review were as follows.

#### **(Cash flows from operating activities)**

Net cash provided by operating activities was 8,681 million yen (up 0.4% year on year). This is mainly attributable to profit before income taxes of 7,655 million yen, depreciation and amortization of 3,450 million yen, an increase in notes and accounts payable-trade of 943 million yen, a decrease in net defined benefit liability of 1,242 million yen, gain on sales of property, plant and equipment of 1,181 million yen and income taxes paid of 1,380 million yen.

#### **(Cash flows from investing activities)**

Net cash used in investing activities was 952 million yen (down 32.1% year on year). This is primarily the result of a 1,591 million yen expense for payments into time deposits, the expense of 3,389 million yen for the purchase of property, plant and equipment, the expense of 509 million yen for the purchase of intangible assets, 1,675 million yen in proceeds from withdrawal of time deposits and 2,980 million yen in proceeds from sales of property, plant and equipment.

#### **(Cash flows from financing activities)**

Net cash used in financing activities was 5,902 million yen (up 38.5% year on year). The result mainly reflects an expense of 3,199 million yen for the purchase of treasury stock, and payments of 1,817 million yen for cash dividends.

## **(3) Basic Policy for Earning Distribution and Current and Next Fiscal Year Dividends**

As for distribution of earnings to shareholders, the Company sets the two policies as below as Basic Policies:

- (1) Allocate an appropriate portion of earnings as a dividend in accordance with business result while retaining the means to strengthen the corporate structure; and
- (2) Strive to make continued, stable dividend payments.

Based on the Basic Policies, the Company will distribute annual dividends from surplus once a year at the end of every fiscal year. Also, we regard the repurchasing of shares as a measure for allocating earnings to shareholders and will effectuate it taking into account stock price levels and market trends.

With respect to distribution of earnings during the period of the Fifth Medium-Term Management Plan (RISO Vision 16), in accordance with the above Basic Policies, the Company follows the principle of paying a dividend reflecting operating results.

In line with this principle, the Company plans to pay a year-end dividend of 60 yen per share.

With regard to treasury stock, the Company purchased a total of 1,487,800 shares for 3,199 million yen during the fiscal year under review.

In accordance with the Basic Policies, the Company plans to pay a dividend of 60 yen per share for the next fiscal year.

## **2. Status of the Corporate Group**

The RISO Group (RISO) consists of the Company and 28 subsidiaries. The main business of the Group is the development, manufacture and sale of printing equipment. The Group also operates a real estate business and an insurance agency.

The following shows the relationship of main RISO members and their business territories.

### RISO KAGAKU CORPORATION (Manufacture and sales)

<Subsidiaries in Japan>

#### **Printing equipment - Sales**

RISO OKINAWA CORPORATION

<Overseas subsidiaries>

#### **Printing equipment - Sales**

RISO, INC.

RISO LATIN AMERICA, INC.

RISO (U.K.) LTD.

RISO (Deutschland) GmbH

RISO FRANCE S.A.

RISO IBERICA, S.A.

RISOGRAPH ITALIA S.p.A.

RISO EURASIA LLC

RISO TURKEY BASKI COZUMLERI A.S.

RISO AFRICA (PTY) LTD.

RISO HONG KONG LTD.

RISO (Thailand) LTD.

RISO INDIA PRIVATE LTD.

RISO KOREA LTD.

RISO (SG) PTE. LTD.

#### **Printing equipment - Manufacture and sales**

RISO (CHINA) TECHNOLOGY CO., LTD.

#### **Printing equipment - Manufacture**

RISO INDUSTRIES (H.K.) LTD.

RISO INDUSTRY (Thailand) CO., LTD.

RISO INDUSTRY SHANGHAI CO., LTD.



### 3. Management Policies

#### (1) Basic Managerial Policies and Medium to Long-Term Business Strategy

The RISO Group formulated the Fifth Medium-term Management Plan (RISO Vision 16)—a three-year plan with the final fiscal year of the period ending March 31, 2016. Accordingly, it implemented the following six items as its basic policy in order to expand sales channels and gain new customers worldwide.

<Basic Policies in the Fifth Medium-Term Management Plan “RISO Vision 16”>

Energize corporate activities through individual ideas and action to expand sales channels and gain new customers worldwide

- a. Expand RISO business by strengthening overseas sales planning/promotions
- b. Increase new inkjet hardware installations by expanding and reinforcing sales channels
- c. Maintain revenue in the digital duplicating business by focusing customer management
- d. Establish a new production structure and prepare for a changing environment
- e. Take on the challenge to create new businesses
- f. Involvement of all employees to challenge beyond individual potential to be more involved in RISO business

Financial Target

Consolidated net sales: ¥86 billion, Consolidated operating income: ¥7 billion, ROE: 7%

\*Exchange rates: 1US dollar: ¥90.00, 1euro: ¥116.00

During the period of the Fifth Medium-term Management Plan (RISO Vision 16), RISO worked on expanding sales channels and gaining new customers. Although sales in the inkjet business rose as sales in the digital duplicating business declined, the Company did not reach the initial plan. In the fiscal year under review, which was the final fiscal year of the plan, consolidated net sales were 85.4 billion yen and consolidated operating income was 6.5 billion yen, as the yen had remained weaker than the presupposed exchange rate. ROE exceeded the targeted 7%.

In order to continue pursuing gaining of new customers and expansion of sales channels, from the fiscal year ending in March 31, 2017, RISO will work to carry out its Sixth Medium-term Management Plan (RISO Vision 19), whose final year is the fiscal year ending in March 31, 2019.

<Basic Policies in the Sixth Medium-Term Management Plan “RISO Vision 19”>

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

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

#### (2) Business Performance Target

In the sixth Medium-term Management Plan (RISO Vision 19), RISO has set the following figures as financial targets in the fiscal year ending in March 31, 2019.

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

\*Exchange rates: 1US dollar: ¥108.00, 1euro: ¥122.00

### **(3) Issues to Address**

In the printing equipment business, which is RISO's mainstay business, the inkjet business is growing, but the digital duplicating business is continuing to follow a trend of decline. A key issue for RISO to address is to accelerate the speed of growth in the inkjet business and maintain in the digital duplicating business. RISO will deploy worldwide sales efforts that highlight the features of new products, in order to achieve medium to long-term growth for the RISO Group. It will also undertake development aimed at the creation of new businesses.

RISO has formulated its sixth Medium-term Management Plan. RISO's Management Policy for the Fiscal Year Ending March 31, 2017, which is the first year of the aforementioned plan, is as follows.

<Management Policies for Fiscal Year Ending March 31, 2017>

1. Ensure successful launching and sales expansion of the new products by R&D, Production and Sales Divisions
2. Accomplish the growth of the number of machine installation by taking full advantage of new products

### **4. Basic policy on the selection of accounting standards**

Due to convergence with international accounting standards, Japanese accounting standards have attained high quality and compare favorably in international terms. As they are considered the equal of international accounting standards, RISO applies Japanese accounting standards.

With regard to adopting international accounting standards in future, the Company will respond appropriately based on due consideration of both domestic and international circumstances.

## 5. Consolidated Financial Statements

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	14,074	16,943
Notes and accounts receivable-trade	15,877	15,257
Short-term investment securities	5,120	3,430
Merchandise and finished goods	9,232	7,740
Work in process	606	730
Raw materials and supplies	2,924	2,728
Deferred tax assets	2,406	2,305
Other	2,082	2,102
Allowance for doubtful accounts	(335)	(300)
Total current assets	51,988	50,938
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	22,355	20,928
Accumulated depreciation	(12,387)	(12,226)
Buildings and structures, net	9,967	8,701
Machinery, equipment and vehicles	6,153	6,216
Accumulated depreciation	(5,173)	(4,772)
Machinery, equipment and vehicles, net	980	1,444
Tools, furniture and fixtures	16,181	16,910
Accumulated depreciation	(15,252)	(15,103)
Tools, furniture and fixtures, net	929	1,806
Land	17,031	15,921
Lease assets	356	413
Accumulated depreciation	(192)	(192)
Lease assets, net	163	221
Construction in progress	355	378
Other	9,598	10,121
Accumulated depreciation	(6,237)	(6,252)
Other, net	3,361	3,869
Total property, plant and equipment	32,790	32,343
Intangible assets		
Goodwill	9	83
Software	1,965	1,582
Other	1,324	1,006
Total intangible assets	3,299	2,671
Investments and other assets		
Investment securities	2,260	1,604
Long-term loans receivable	120	54
Deferred tax assets	811	969
Other	3,118	3,137
Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	6,260	5,715
Total noncurrent assets	42,350	40,730
Total assets	94,338	91,669

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	10,323	10,538
Short-term loans payable	2,586	1,620
Current portion of long-term loans payable	2	1
Income taxes payable	488	907
Provision for bonuses	1,682	1,676
Provision for directors' bonuses	83	75
Provision for product warranties	34	33
Other	7,482	7,345
Total current liabilities	22,682	22,198
Noncurrent liabilities		
Long-term loans payable	27	18
Net defined benefit liability	2,277	3,130
Other	404	442
Total noncurrent liabilities	2,709	3,591
Total liabilities	25,392	25,789
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	46,837	50,287
Treasury shares	(8,475)	(11,675)
Total shareholders' equity	67,255	67,506
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	629	137
Foreign currency translation adjustment	1,114	(246)
Remeasurements of defined benefit plans	(53)	(1,518)
Total accumulated other comprehensive income	1,690	(1,627)
Total net assets	68,946	65,879
Total liabilities and net assets	94,338	91,669

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	85,674	85,454
Cost of sales	35,734	35,640
Gross profit	49,939	49,814
Selling, general and administrative expenses	43,100	43,262
Operating income	6,839	6,551
Non-operating income		
Interest income	139	97
Dividends income	46	46
Other	164	229
Total non-operating income	350	373
Non-operating expenses		
Interest expenses	65	63
Foreign exchange losses	20	292
Loss on retirement of noncurrent assets	55	50
Other	48	42
Total non-operating expenses	189	449
Ordinary income	6,999	6,476
Extraordinary income		
Gain on sales of non-current assets	–	1,181
Settlement received	–	240
Gain on sales of investment securities	–	163
Insurance return	81	59
Total extraordinary income	81	1,645
Extraordinary loss		
Impairment loss	59	161
Loss on liquidation of subsidiaries and associates	–	160
Loss on factory restructurings	–	86
Dismantlement expenses	–	57
Total extraordinary losses	59	465
Profit (loss) before income taxes	7,021	7,655
Income taxes-current	1,719	1,736
Income taxes-deferred	(321)	652
Total income taxes	1,397	2,388
Profit	5,624	5,267
Profit attributable to owners of parent	5,624	5,267

**(Consolidated statements of comprehensive income)**

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	5,624	5,267
Other comprehensive income		
Valuation difference on available-for-sale securities	285	(492)
Foreign currency translation adjustment	1,283	(1,361)
Remeasurements of defined benefit plans	743	(1,464)
Total other comprehensive income	2,312	(3,317)
Comprehensive income	7,936	1,949
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,936	1,949
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated statements of changes in net assets**

	Fiscal year ended March 31, 2015				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
Balance at the beginning of current period	14,114	14,779	42,467	(5,935)	65,426
Changes of items during the period					
Dividends from surplus			(1,254)		(1,254)
Profit attributable to owners of parent			5,624		5,624
Purchase of treasury shares				(2,540)	(2,540)
Disposal of treasury shares				0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	4,369	(2,539)	1,829
Balance at the end of current period	14,114	14,779	46,837	(8,475)	67,255

	Fiscal year ended March 31, 2015				
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
Balance at the beginning of current period	343	(169)	(796)	(622)	64,804
Changes of items during the period					
Dividends from surplus					(1,254)
Profit attributable to owners of parent					5,624
Purchase of treasury shares					(2,540)
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	285	1,283	743	2,312	2,312
Total changes of items during the period	285	1,283	743	2,312	4,141
Balance at the end of current period	629	1,114	(53)	1,690	68,946

	Fiscal year ended March 31, 2016				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
Balance at the beginning of current period	14,114	14,779	46,837	(8,475)	67,255
Changes of items during the period					
Dividends from surplus			(1,816)		(1,816)
Profit attributable to owners of parent			5,267		5,267
Purchase of treasury shares				(3,199)	(3,199)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	3,450	(3,199)	250
Balance at the end of current period	14,114	14,779	50,287	(11,675)	67,506

	Fiscal year ended March 31, 2016				
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	
Balance at the beginning of current period	629	1,114	(53)	1,690	68,946
Changes of items during the period					
Dividends from surplus					(1,816)
Profit attributable to owners of parent					5,267
Purchase of treasury shares					(3,199)
Net changes of items other than shareholders' equity	(492)	(1,361)	(1,464)	(3,317)	(3,317)
Total changes of items during the period	(492)	(1,361)	(1,464)	(3,317)	(3,066)
Balance at the end of current period	137	(246)	(1,518)	(1,627)	65,879



**(4) Consolidated statements of cash flows**

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	7,021	7,655
Depreciation and amortization	2,945	3,450
Impairment loss	59	161
Amortization of goodwill	668	16
Increase (decrease) in net defined benefit liability	(1,158)	(1,242)
Increase (decrease) in provision for directors' bonuses	(10)	(8)
Increase (decrease) in allowance for doubtful accounts	(45)	(7)
Interest and dividends income	(186)	(144)
Gain on maturity of insurance contract	(48)	(59)
Interest expenses	65	63
Loss (gain) on sales of property, plant and equipment	–	(1,181)
Foreign exchange losses (gains)	(276)	(78)
Decrease (increase) in notes and accounts receivable-trade	312	(149)
Decrease (increase) in inventories	274	880
Increase (decrease) in notes and accounts payable-trade	95	943
Increase (decrease) in accounts payable-other	934	(358)
Other, net	403	7
Subtotal	11,055	9,946
Interest and dividends income received	187	144
Interest expenses paid	(66)	(61)
Income taxes paid	(2,526)	(1,380)
Income taxes refund	–	32
Net cash provided by (used in) operating activities	8,650	8,681
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,709)	(1,591)
Proceeds from withdrawal of time deposits	2,365	1,675
Purchase of property, plant and equipment	(1,418)	(3,389)
Proceeds from sales of property, plant and equipment	108	2,980
Purchase of intangible assets	(638)	(509)
Proceeds from sales of investment securities	11	256
Payments of loans receivable	(0)	–
Collection of loans receivable	5	10
Proceeds from maturity of insurance funds	136	120
Payments for transfer of business	–	(316)
Other, net	(265)	(188)
Net cash provided by (used in) investing activities	(1,403)	(952)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(381)	(795)
Repayment of long-term loans payable	(5)	(9)
Purchase of treasury shares	(2,538)	(3,199)
Repayments of lease obligations	(78)	(81)
Cash dividends paid	(1,255)	(1,817)
Other, net	(1)	0
Net cash provided by (used in) financing activities	(4,261)	(5,902)
Effect of exchange rate change on cash and cash equivalents	560	(565)
Net increase (decrease) in cash and cash equivalents	3,546	1,260
Cash and cash equivalents at beginning of period	14,580	18,127
Cash and cash equivalents at end of period	18,127	19,388

## (Changes in Accounting Principles)

## (Application of accounting standards for retirement benefits)

RISO KAGAKU CORPORATION applied the “Accounting Standard for Business Combinations” (Accounting Standard Board of Japan (ASBJ) Statement No. 21 of September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013) effective from the fiscal year ended March 31, 2016. Under these accounting standards, differences arising from changes in RISO KAGAKU CORPORATION ownership interests in its subsidiaries over which it retains control are recognized in Capital Surplus, and acquisition-related costs are expensed as incurred. For business combinations completed on or after the beginning of the fiscal year ended March 31, 2016, the revised allocation of acquisition costs, due to the finalization of the tentative accounting treatment, is reflected in the consolidated financial statements for the fiscal year ended March 31, 2016 in which the business combination occurred. In addition, RISO KAGAKU CORPORATION changed the presentation of Net Income and other related items, and minority interests are now presented as non-controlling interests. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect these changes in the presentation. For the application of these accounting standards, RISO KAGAKU CORPORATION adopted the transitional provisions in item (4), paragraph 58-2 of the Accounting Standard for Business Combinations, item (4), paragraph 44-5 of the Accounting Standard for Consolidated Financial Statements, and item (4), paragraph 57-4 of the Accounting Standard for Business Divestitures effective from the beginning of the fiscal year ended March 31, 2016. The effects of these changes on the consolidated financial statements for the fiscal year ended March 31, 2016, are immaterial.

## (Segment Information)

## (Segment information)

## 1. Reportable segments

Reportable segments of the Company are constituent units for which separate financial information is obtainable, and the Board of Directors periodically conducts examinations of these segments to determine the distribution of management resources and evaluate performance.

The Company's business is classified into the printing equipment business and real estate business and others, and domestic sales for the printing equipment business are effected by the Company's Sales Division and two regional subsidiaries. Overseas sales are effected by local entities in each country under the control of the Company's International Sales Division in the Americas, Europe and Asia. Local entities in each country constitute independent business units and business activities are undertaken with respect to products handled with comprehensive strategies formulated in collaboration with the Company's International Sales Division for each respective region.

Consequently, the Company's printing equipment business is made up of four reportable segments according to geography, namely "Japan," "The Americas," "Europe," and "Asia," based on the Company's sales framework.

## 2. Methods to determine the amounts of sales, income or loss, assets, liabilities and other items

The accounting method for the business segments that are reported is largely the same as the one for the consolidated financial statements.

Figures for reportable segment profit are on the basis of operating income.

For information regarding assets, liabilities and other items for each reportable segment, the Company has production bases in Japan, China and Thailand for the printing equipment business, and in terms of production activities, as the manufacture of products is carried out in those countries for all geographical areas of the printing equipment business, it is difficult to allocate assets and the like relating to production to specific regions. In addition, as real estate business and others is mainly real estate leasing, as a rule it does not have increases or decreases in assets. As a result, we carry out performance evaluations for each of these businesses mainly on the basis of profit and loss information, and information on assets, liabilities and the like is not disclosed as it is not treated as information central to the distribution of management resources and performance evaluation.

## 3. Information on sales and income or loss for each reportable segment

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	47,778	5,797	17,547	13,072	84,195	1,478	85,674
Segment income (loss)	5,208	(534)	1,105	636	6,415	423	6,839

(TRANSLATION FOR REFERENCE ONLY)

- 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 the same as the amount of operating income on the consolidated statements of income.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	47,276	6,195	15,555	15,035	84,063	1,391	85,454
Segment income (loss)	4,674	(300)	665	1,236	6,275	276	6,551

- 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 the same as the amount of operating income on the consolidated statements of income.

(Pertinent information)

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

1. Information for each product and service

This item is omitted as it duplicates the information disclosed in segment information.

2. Information by each region

(1) Sales

(Millions of yen)

Japan	The Americas	Europe	Asia	Total
49,158	5,883	17,551	13,081	85,674

Notes: Net sales are classified according to country or region, based on the domicile of customers.

The main countries or regions belonging to each classification are as follows.

The Americas: U.S. and Canada

Europe: Germany, United Kingdom and France

Asia: China, Thailand, South Korea and India

## (2) Property, plant and equipment

(Millions of yen)

Japan	The Americas	Europe	Asia	Total
29,786	436	208	2,359	32,790

## 3. Information by each major customer

The Company's printing equipment business and real estate business and others make sales to an unspecified number of general customers. As there is no particular customer that accounts for 10% or more of sales, the disclosure of information by major customer is omitted.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

## 1. Information for each product and service

This item is omitted as it duplicates the information disclosed in segment information.

## 2. Information by each region

## (1) Sales

(Millions of yen)

Japan	The Americas	Europe	Asia	Total
48,561	6,269	15,556	15,067	85,454

Notes: Net sales are classified according to country or region, based on the domicile of customers.

The main countries or regions belonging to each classification are as follows.

The Americas: U.S. and Canada

Europe: Germany, United Kingdom and France

Asia: China, Thailand, South Korea and India

## (2) Property, plant and equipment

(Millions of yen)

Japan	The Americas	Europe	Asia	Total
29,368	454	224	2,296	32,343

## 3. Information by each major customer

The Company's printing equipment business and real estate business and others make sales to an unspecified number of general customers. As there is no particular customer that accounts for 10% or more of sales, the disclosure of information by major customer is omitted.

(Information on impairment loss on noncurrent assets for each reportable segment)

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Printing equipment business	Real estate business and others	Total
Impairment loss	59	-	59

Notes: Impairment loss in the printing equipment business is not shown for each segment by geographic area, as it is the balance for the entire printing equipment business and is not allocated to specific geographic area.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Printing equipment business	Real estate business and others	Total
Impairment loss	161	-	161

Notes: Impairment loss in the printing equipment business is not shown for each segment by geographic area, as it is the balance for the entire printing equipment business and is not allocated to specific geographic area.

(Information on amortization of goodwill and remaining goodwill balance for each reportable segment)

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Printing equipment business	Real estate business and others	Total
Amortized amount in current period	668	-	668
Balance at the end of current period	9	-	9

Notes: The balance of goodwill at the end of the current period in the printing equipment business is not shown for each segment by geographic area, as it is the balance for the entire printing equipment business and is not allocated to specific geographic area.

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Printing equipment business	Real estate business and others	Total
Amortized amount in current period	16	-	16
Balance at the end of current period	83	-	83

Notes: The balance of goodwill at the end of the current period in the printing equipment business is not shown for each segment by geographic area, as it is the balance for the entire printing equipment business and is not allocated to specific geographic area.

(Information on gain on negative goodwill for each reportable segment)

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

No items to report

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

No items to report

(Subsequent event)

(Purchase of Treasury Stock)

RISO KAGAKU CORPORATION (the “Company”) announced that its Board of Directors resolved at the meeting held on May 8, 2016 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 340,000 shares  |
| (4) Total purchase cost:                   | Up to 500,000,000 yen   |
| (5) Purchase period:                       | From May 18, 2016 to June 17, 2016  |
| (6) Purchase method:                       | Purchased on the Tokyo Stock Exchange   |