

**Interim Report
2015**

1st half of fiscal 2015



To Our Shareholders



I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2015.

In fiscal 2015, the RISO Group continued efforts to “expand sales channels and gain new customers worldwide,” which is a management policy of the Fifth Medium-term Management Plan “RISO Vision 16.”

To expand overseas business, which is one of our priority actions, we worked to strengthen our overseas sales structure, and the positive results of these efforts steadily became apparent. During the first half of the fiscal year, we recorded solid sales of the ORPHIS high-speed color printer, mainly in Europe and Asia, and sales and operating income both exceeded the amounts posted in the same period of the previous fiscal year.

Turning to production, in April 2014 we commenced manufacturing of hardware for the RISOGRAPH digital duplicator at the Rojana plant in Ayutthaya, Thailand, while in May 2014 we began production of ORPHIS consumables at the Tsukuba Works. In this manner, we are progressing with the rebuilding of our production structure with an eye to the future.

RISO resolved to implement a two-for-one stock split with an effective date of January 1, 2015. The stock split will be carried out to increase liquidity of the Company’s shares and expand its shareholder base.

RISO will continuously strive to offer our own unique products and services to customers. I would like to ask our shareholders for their continued support.

December 2014

Akira Hayama
President & CEO



Fifth Medium-term Management Plan "RISO Vision 16"

(April 1, 2013 – March 31, 2016)

Management Policy

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

Numerical Targets

Consolidated net sales: ¥86 billion

Consolidated operating income: ¥7 billion

ROE: 7%

(*Exchange rates:
¥90 to the U.S. dollar, ¥116 to the euro)

Priority Actions

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

Management Policies for the Fiscal Year Ending March 31, 2015

(April 1, 2014 - March 31, 2015)

1. Concentrate on increasing the MIF* by promoting both the development of new sales channels and the acquisition of new accounts
2. Achieve increased sales and profit by organizing a proper overseas sales structure
3. Shift to a new production structure by reorganizing production facilities
4. Take on the challenge to create new businesses
5. Enhance the ability of RISO employees to lead and grow the business more effectively by focusing on developing their skills

*Machines in field



Review of Operations

Business Environment and Performance

Sales and Income Increase owing to Favorable Results in the Overseas Inkjet Business

The RISO Group has been following its medium-term management policy of expanding sales channels and gaining new customers worldwide.

In RISO's consolidated operating results for the current six months, overall net sales increased as a result of higher overseas sales in the printing equipment business, primarily in the inkjet business, and the effects of yen depreciation. Operating income was higher as a result of improved profitability in Europe and the effects from yen depreciation. As a result, net sales were ¥40,107 million (up 2.7% year on year), operating income was ¥2,872 million (up 35.5% year on year) and ordinary income was ¥3,072 million (up 30.5% year on year). Net income was ¥2,214 million (up 43.6% year on year) as a result of tax expense adjustments in conjunction with the sale of underutilized real estate.

The average exchange rates during the current consolidated six months period were ¥103.04 (a ¥4.19 depreciation of the yen year on year) for the U.S. dollar and ¥138.92 (a ¥8.92 depreciation of the yen year on year) for the euro.

Business Outlook for Fiscal 2015

Expanding the Inkjet Business and Aiming for Net Sales of ¥86 Billion

In RISO's printing equipment business, full-year net sales are expected to be favorable as we expand sales channels and cultivate applications in our overseas inkjet business. By strengthening our sales structure and accelerating development, RISO aims to build a stable earnings foundation.

For the entire fiscal year, RISO forecasts net sales of ¥86,000 million (up 2.5% year on year), operating income of ¥6,500 million (down 1.3% year on year), ordinary income of ¥6,550 million (down 8.9% year on year) and net income of ¥4,400 million (down 3.9% year on year).

The above forecasts are based on exchange rate assumptions of ¥102 to the U.S. dollar and ¥138 to the euro.



Financial Highlights (Consolidated basis)

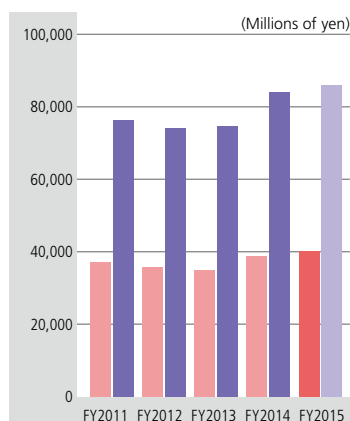
Note: Amounts less than the unit expressed are omitted.

(Millions of yen)

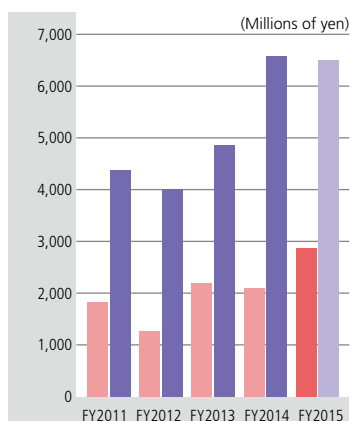
	FY2011		FY2012		FY2013		FY2014		FY2015	
	1st half of FY2011		1st half of FY2012		1st half of FY2013		1st half of FY2014		1st half of FY2015	(Forecast)
Net sales	37,455	76,897	35,944	74,847	35,268	75,455	39,057	83,938	40,107	86,000
Operating income	1,848	4,406	1,276	4,050	2,203	4,910	2,119	6,588	2,872	6,500
Ordinary income	1,956	4,939	1,095	4,309	2,191	5,512	2,355	7,192	3,072	6,550
Net income	1,812	6,288	1,010	2,886	1,644	4,827	1,542	4,578	2,214	4,400
Net income per share (Yen)	70.83	247.45	40.39	117.40	69.66	205.80	69.11	210.13	106.31	106.91

Note: Net income per share in the forecast for fiscal 2015 is calculated based on the assumption that the two-for-one stock split that will take effect on January 1, 2015 took place at the beginning of fiscal 2015. Not taking the stock split into consideration, net income per share would amount to ¥213.82.

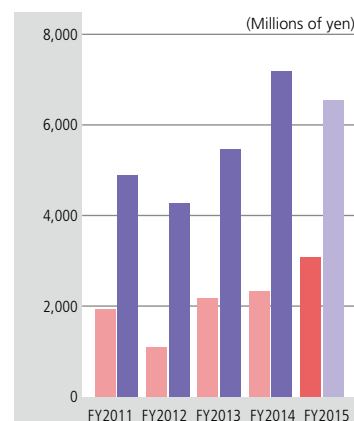
Net sales



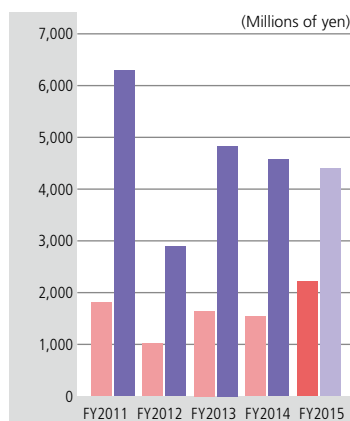
Operating income



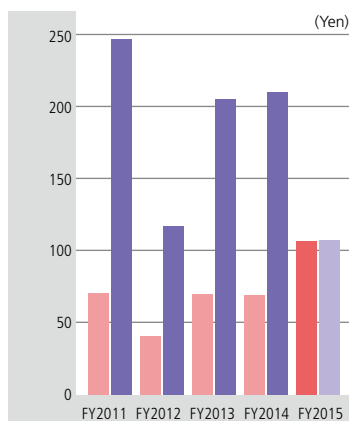
Ordinary income



Net income



Net income per share



■ Interim
■ Annual
■ Annual (Forecast)



Consolidated Financial Statements

Notes: Amounts less than the unit expressed are omitted. These financial statements show major items only.

Balance Sheets

ASSETS

(Millions of yen)

Item	FY2014 (As of Mar. 31, 2014)	1st half of FY2015 (As of Sept. 30, 2014)
Current assets	¥47,780	¥46,834
Cash and deposits	12,899	12,121
Notes and accounts receivable—trade	15,596	13,158
Short-term investment securities	2,876	4,738
Inventories	12,633	12,705
Other	4,112	4,491
Allowance for doubtful accounts	(338)	(381)
Noncurrent assets	43,960	43,181
Total property, plant and equipment	32,742	32,903
Buildings and structures, net	9,221	10,271
Machinery, equipment and vehicles, net	829	855
Land	17,071	17,034
Other	5,620	4,741
Intangible assets	4,586	3,941
Goodwill	679	344
Software	2,232	2,108
Other	1,674	1,488
Investments and other assets	6,631	6,337
Investment securities	1,945	2,136
Other	4,747	4,254
Allowance for doubtful accounts	(61)	(54)
Total assets	¥91,740	¥90,015

Note: Total amount of depreciation of tangible fixed assets for 1st half of fiscal 2015 was ¥39,728 million.

Point 1 Cash and deposits

Cash and deposits declined due to the acquisition of treasury stock and payment of dividends.

Point 2 Buildings and structures, net

Construction costs for the Rojana Plant in Ayutthaya, Thailand, and renovation costs for the Tsukuba Plant were recorded.



Consolidated Financial Statements

LIABILITIES

(Millions of yen)

Item	FY2014 (As of Mar. 31, 2014)	1st half of FY2015 (As of Sept. 30, 2014)
Current liabilities	¥21,819	¥20,894
Notes and accounts payable—trade	9,560	9,601
Short-term loans payable	2,615	2,226
Current portion of long-term loans payable	2	2
Other	9,641	9,063
Noncurrent liabilities	5,117	4,422
Long-term loans payable	33	32
Provision for retirement benefits	4,589	3,961
Other	495	428
Total liabilities	¥26,936	¥25,316

NET ASSETS

(Millions of yen)

Item	FY2014 (As of Mar. 31, 2014)	1st half of FY2015 (As of Sept. 30, 2014)
Shareholders' equity	¥65,426	¥64,518
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	42,467	43,427
Treasury stock	(5,935)	(7,802)
Total accumulated other comprehensive income	(622)	180
Valuation difference on available-for-sale securities	343	529
Foreign currency translation adjustment	(169)	405
Remeasurements of defined benefit plans	(796)	(753)
Total net assets	¥64,804	¥64,699
Total liabilities and net assets	¥91,740	¥90,015

Point ③ Treasury stock

A total of 542,000 shares of treasury stock amounting to ¥1,866 million were acquired during the first six months of fiscal 2015.



Consolidated Financial Statements

Statements of Income

(Millions of yen)

Item	1st half of FY2014 (6 months ended Sept. 30, 2013)	1st half of FY2015 (6 months ended Sept. 30, 2014)
Net sales	¥39,057	¥40,107
Printing equipment business	38,310	39,388
Japan	22,807	22,442
Americas	2,877	2,780
Europe	7,365	8,433
Asia	5,260	5,731
Real estate business and others	746	718
Cost of sales	17,077	16,737
Gross profit	21,979	23,369
Selling, general and administrative expenses	19,860	20,497
Operating income	2,119	2,872
Non-operating income	385	260
Non-operating expenses	149	60
Ordinary income	2,355	3,072
Extraordinary income	44	33
Extraordinary loss	-	59
Income before income taxes and minority interests	2,399	3,046
Income taxes	857	832
Net income	¥ 1,542	¥ 2,214

Point ④ Net sales

Net sales increased approximately ¥1,049 million versus the previous fiscal year. Of this amount, the effect of foreign exchange rates amounted to approximately ¥724 million.

Point ⑤ Selling, general and administrative expenses

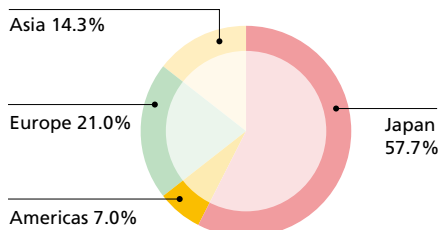
The amount of the effect of foreign exchange rate fluctuations and research and development expenses increased.

Statements of Cash Flows

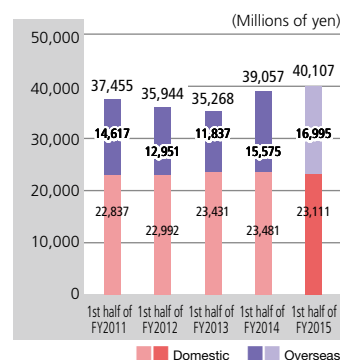
(Millions of yen)

Item	1st half of FY2014 (6 months ended Sept. 30, 2013)	1st half of FY2015 (6 months ended Sept. 30, 2014)
Net cash provided by (used in) operating activities	¥ 742	¥ 5,006
Net cash provided by (used in) investment activities	(2,824)	(86)
Net cash provided by (used in) financing activities	(5,450)	(3,667)
Effect of exchange rate change on cash and cash equivalents	295	248
Net increase (decrease) in cash and cash equivalents	(7,236)	1,500
Cash and cash equivalents at beginning of period	21,612	14,580
Cash and cash equivalents at end of period	¥14,376	¥16,081

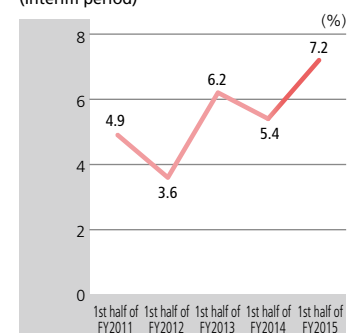
Sales by region (1st half of FY2015)



Net sales (Interim period)



Operating income margin (Interim period)



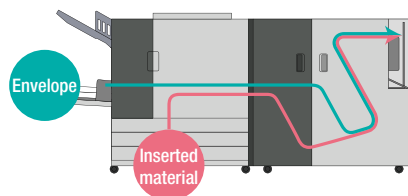
Expandability of ORPHIS

ORPHIS high-speed color printers can respond to a variety of post processes by connecting with options in accordance with the application. Here we introduce the expandability of the ORPHIS.



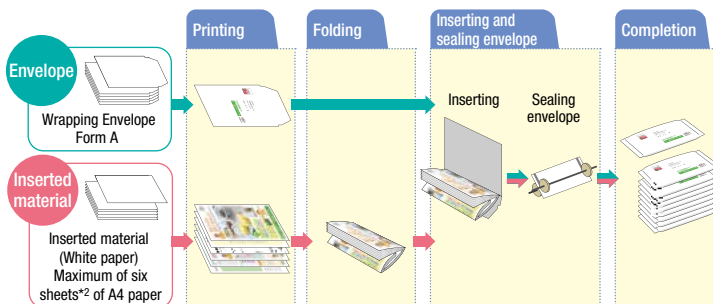
Fully Automated Processing Reduces Workload for Inserting and Sealing Mail Enclosures in Envelopes

The Wrapping Envelope Finisher is an ORPHIS paper discharge option that automates processes from printing to folding, insertion and sealing. As an example of applications, in preparing grade reports for students at private preparatory schools, carefully checking to make sure that the enclosures and the recipients' addresses are properly combined is a necessary but time-consuming task. For such tasks, an ORPHIS equipped with a Wrapping Envelope Finisher automatically performs processes ranging from printing addresses and enclosures to folding enclosures and inserting and sealing these in envelopes, which thereby reduces the workload involved in this process.



Automatically processes approximately **2,200*1 sheets per hour** of such enclosures as **grade reports, invoices and direct mail inserts**.

*1: When using the ORPHIS EX9050 for single-side printing on A4 paper and inserting one sheet per envelope.



*2: When using IJ Paper E Light

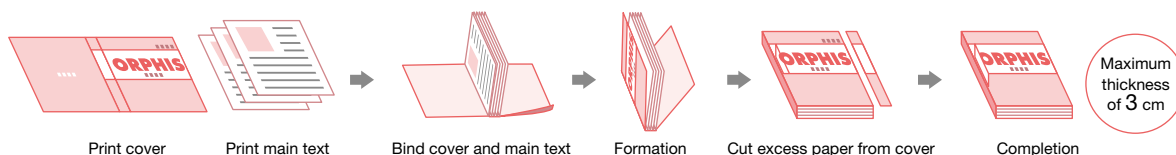
Conveniently Binding Thick Booklets

The Perfect Binder is an ORPHIS finishing option that can perform automated binding of thick booklets. Perfect Binder enables anyone to simply finish tasks ranging from printing manuals, catalogs and other items to performing basic bookbinding, which allows previously outsourced bookbinding work to be conveniently performed by the ORPHIS.

Sixty full-color text pages can be bound into **100 booklets per hour**.



Perfect Binder Processing Flow





Renewing the High-End Series of RISOGRAPH Digital Duplicators and Selling These in Countries Worldwide

RISO has renewed its high-end series of RISOGRAPH digital duplicators and in May 2014 launched sales in countries worldwide, beginning with Japan. In the domestic market, we offer a lineup of four models equipped with two drums in the RISOGRAPH ME series and five models equipped with one drum in the RISOGRAPH SE series.

The RISOGRAPH ME 935W, the top-of-the-line model in the ME series, is equipped with a duplex unit and is capable of two-color printing in addition to high-speed duplex printing up to A3 size.

All models in the SE series feature a high-speed print mode and can print at a maximum speed of 185 pages per minute, setting a new industry record for fastest print speed for the first time in eight years (according to a

survey by RISO as of March 2014).

Along with the launch of sales, these printers have been demonstrated at various fairs and events in Japan and overseas.



RISOGRAPH ME 935W

RISOGRAPH SE 938F

New Plant in Thailand Commences Production

An opening ceremony attended by invited business partners was held at the Rojana Plant in Ayutthaya, Thailand, in July 2014. As our first overseas company-owned plant, the Rojana Plant began production of RISOGRAPH hardware in April 2014.

The RISO Group will strengthen its production structure to provide even higher quality products and services to customers in more than 180 countries and regions around the world.



RISO INDUSTRY (THAILAND) CO., LTD.
Production line at the Rojana Plant
(Ayutthaya, Thailand)

Monetary Donation Made for the Heavy Rain Disaster in Hiroshima City

RISO donated ¥1 million to assist victims and rebuild devastated regions in the city of Hiroshima, which suffered enormous damage from the heavy rain disaster that occurred in August 2014.

Sustainability Report 2014 Published

RISO published its *Sustainability Report 2014* in Japanese in July 2014.

This year's report aims at concisely summarizing and reporting in an easily understandable format mainly on the results of activities carried out in fiscal 2014. The Special Feature uses illustrations and photographs while providing easy-to-understand explanations of environmental-related initiatives and technologies for ORPHIS, RISOGRAPH and GOCCOPRO products.

RISO also provides information that could not be incorporated into the printed report in addition to information that the Company has provided from the past on the RISO website *Sustainability Report* page.



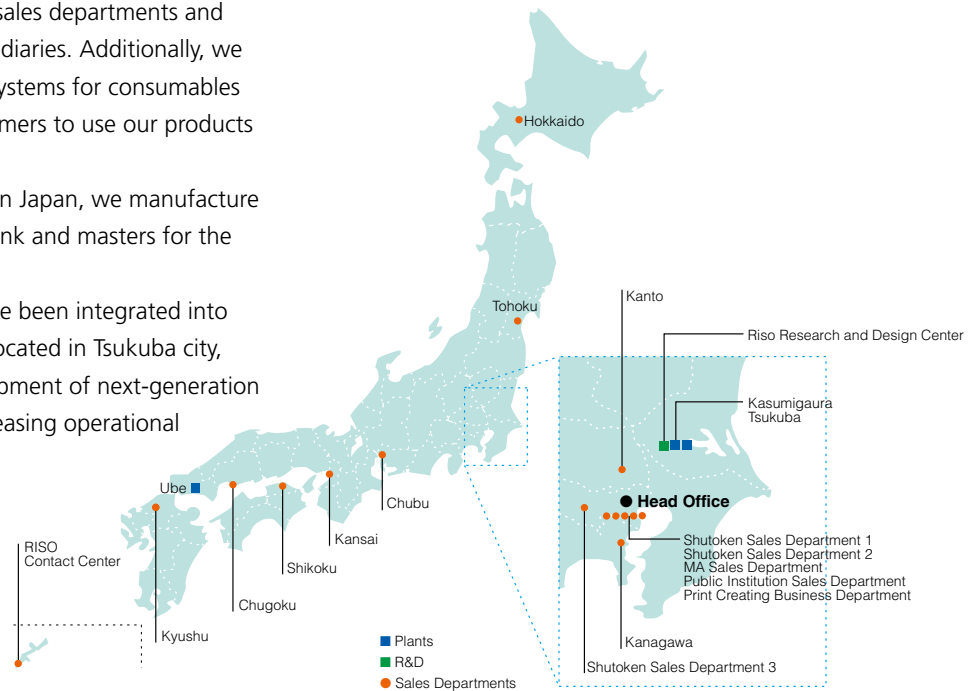
Sustainability Report 2014
<http://www.riso.co.jp/english/eco/report/>
(online report in English)

Facilities in Japan

RISO's sales network encompasses 14 sales departments and 47 sales branches as well as sales subsidiaries. Additionally, we provide technical support and supply systems for consumables throughout the nation to enable customers to use our products with assurance.

At our three manufacturing bases in Japan, we manufacture hardware and ink for the ORPHIS and ink and masters for the RISOGRAPH.

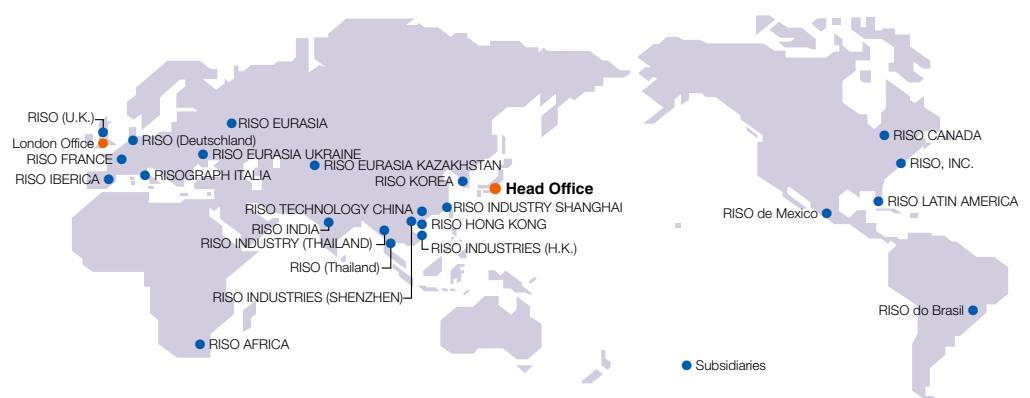
Our development departments have been integrated into the Riso Research and Design Center located in Tsukuba city, Ibaraki Prefecture, in which the development of next-generation RISO products is carried out while increasing operational efficiency.



Global Network

Our wide-spanning network, centering on 24 overseas subsidiaries, engages in sales of ORPHIS and RISOGRAPH hardware, provides technical support and also supplies consumables. RISOGRAPH hardware is produced at the manufacturing plants of RISO INDUSTRIES (SHENZHEN) LTD. and RISO TECHNOLOGY CHINA CO., LTD. in China and RISO INDUSTRY (THAILAND) CO., LTD. in Thailand.

Over 3,500 RISO Group employees value communication with customers and provide customer support in the respective countries where we operate.



Main subsidiaries

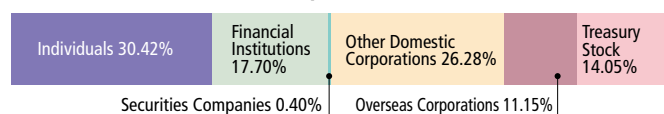
- RISO, INC.
- RISO CANADA INC.
- RISO LATIN AMERICA, INC.
- RISO de Mexico, S.A. de C.V.
- RISO do Brasil Ltda.
- RISO (U.K.) LTD.
- RISO (Deutschland) GmbH
- RISO FRANCE S.A.

- RISO IBERICA, S.A.
- RISOGRAPH ITALIA S.p.A.
- RISO EURASIA LLC
- RISO EURASIA KAZAKHSTAN LLC
- RISO EURASIA UKRAINE LLC
- RISO AFRICA (PTY) LTD.
- RISO INDUSTRIES (H.K.) LTD.
- RISO INDUSTRIES (SHENZHEN) LTD.

- RISO TECHNOLOGY CHINA CO., LTD.
- RISO INDUSTRY SHANGHAI CO., LTD.
- RISO HONG KONG LTD.
- RISO (Thailand) LTD.
- RISO INDUSTRY (THAILAND) CO., LTD.
- RISO INDIA PRIVATE LTD.
- RISO KOREA LTD.

Number of shares:	67,840,000 (No change from the end of the previous period)
Number of shares issued:	23,703,166 (No change from the end of the previous period)
Number of shareholders:	2,249 (A decrease of 445 from the end of the previous period)

Breakdown of stock ownership



Major Shareholders (Top 10 Shareholders)	Number of shares owned (thousands of shares)	Shareholding ratio (%)
RISO KAGAKU CORPORATION	3,329	14.05
RISO Limited	2,470	10.42
Riso Educational Foundation	1,330	5.61
Akatsuki Kosan Co., Ltd.	967	4.08
RISO KAGAKU CORPORATION Employees' Shareholding Association	951	4.01
Trust & Custody Services Bank, Ltd. as trustee for the Tokyo Tomin Bank, Ltd. Retirement Benefit Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	783	3.31
Akira Hayama	611	2.58
Osamu Hayama	597	2.52
Takashi Hayama	590	2.49
Mariko Ito	585	2.47

Repurchase of Treasury Stock

During the six-month period, RISO repurchased treasury stock as detailed below.

Number of shares repurchased: 542,000 shares
Total repurchased amount: ¥1,866 million

Corporate name	RISO KAGAKU CORPORATION
Head office	5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan
Established	September 2, 1946
Incorporated	January 25, 1955
Paid-in capital	¥14,114,985,384
Number of employees	1,754 (3,625 for the RISO Group)
Subsidiaries	26 companies (domestic: 2; overseas: 24)

Board of Directors and Auditors

President & CEO (Representative Director)	Akira Hayama
Managing Director	Yasuhiro Takahashi
Managing Director	Kihachiro Endo
Director	Yasunobu Takahashi
Director	Shoichi Ikejima
Director	Yoshiomi Narumiya
Director	Masahiro Ueda
Director	Soichiro Hashimoto
Director	Naoki Ujiiie
Director	Toshiaki Kano
Director	Kyoshi Hayashi
Director	Soichiro Oku*
Standing Auditor	Kenjuro Yamamoto
Standing Auditor	Yasuo Tazawa
Auditor	Yoshinari Iizuka*
Auditor	Shinji Hatta*

Note: "*" refers to outside director and outside auditors, as stipulated under Item 15 and 16 of Article 2 of the Corporate Law.

The financial information appearing in this review is a translation of the original Japanese text into English and is based on generally accepted accounting standards and practices in Japan.

Forward-looking Statements

Forecasts of future performance contained in forward-looking statements are based on Riso Kagaku Corporation's current expectations, estimates and assessment of the markets in which it operates. A number of factors, many beyond the Company's control, could cause actual results to differ materially from the forecasts contained in these statements.

RISO KAGAKU CORPORATION

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