



# Interim Report 2012

---

1st half of fiscal 2012

---



**Akira Hayama** President & CEO

I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2012.

During the first half of fiscal 2012, RISO sustained its production by promoting various measures, including the use of alternative parts in order to realize stable manufacturing levels, as some component and raw material companies' plants were affected by the Great East Japan Earthquake that struck in March 2011.

Following the termination of a joint venture agreement with Olympus Corporation as of March 31, 2011, RISO started inkjet printer assembly, which was previously carried out by the Olympus Group, in August 2011. Going forward, RISO will independently conduct the inkjet business including all inkjet printer development, which was previously done in collaboration with Olympus Corporation.

## Fourth Medium-term Management Plan "Riso Vision 13" (April 1, 2010 – March 31, 2013)

Medium-term Management Policy	The aim of Riso Vision 13 is to realize strong growth by gaining new customers through the utilization of optimum corporate resources in order to re-establish a stable profit-making business model.
Numerical Targets	Consolidated net sales: ¥83.0 billion Consolidated operating income: ¥2.5 billion
Main Focus Points	<ol style="list-style-type: none"> <li>1. Develop, cultivate and strengthen sales channels in the inkjet business</li> <li>2. Build up both the product planning system and sales planning system on a global basis</li> <li>3. Conduct a dynamic review of both the manufacturing system as well as the structure of selling, general and administrative expenses</li> </ol>

## Management Policy for the Fiscal Year Ending March 31, 2012 (April 1, 2011 - March 31, 2012)

Management Policy	While working to overcome the destabilizing factors caused by the earthquake and its aftermath, RISO shall energize its sales activities and strengthen its profit structure.
Main Focus Points	<ol style="list-style-type: none"> <li>1. Steady production and continuous shipment of consumables and hardware</li> <li>2. Establishment of inkjet development and production systems for entirely in-house operations</li> <li>3. Development, cultivation and strengthening of overseas sales channels</li> <li>4. Cultivating new market segments and strengthening relationships with customers in existing sales channels in Japan</li> </ol>



The following are explanations of the current status of RISO's management.

## Medium-term Management Plan and Management Policy

The Riso Group (hereafter, "RISO") has formulated "Riso Vision 13," its medium-term management plan covering a period up to the conclusion of the fiscal year ending March 2013. Based on this plan, RISO is working to enhance profitability with a primary emphasis on realizing robust growth by gaining new customers in the printing equipment business. In this segment, which is our main business, the inkjet business is achieving growth while the digital duplicating business continues to decline. We thereby believe that the Group should seek to address the issues of accelerating growth in the inkjet business and to realize the recovery and sustainability of the digital duplicating business. Additionally, we recognize the urgency of promoting initiatives to establish and nurture overseas sales channels to address the situation in which the ratio of overseas sales is declining.

Amid such circumstances, RISO is conducting its business operations by establishing the following items as main focus points in its management policy for fiscal 2012.

1. Steady production and continuous shipment of consumables and hardware
2. Establishment of inkjet development and production systems for entirely in-house operations
3. Development, cultivation and strengthening of overseas sales channels
4. Cultivating new market segments and strengthening relationships with customers in existing sales channels in Japan

## Business Environment and Performance

Regarding RISO's consolidated operating results for the current six months, although sales in Japan from the printing equipment business remained strong, overall sales in this business segment were down year on year due to tough sales conditions overseas and the effect of foreign exchange rates. In terms of profits, the cost of sales was lower because the Company started independent operation of the inkjet business effective from the current fiscal year, but selling, general and administrative (SG&A) expenses rose due to expenses related to the amortization of goodwill and an increase in research and development and other costs. As a result, net sales were ¥35,944 million (down 4.0% year on

year), operating income amounted to ¥1,276 million (down 31.0% year on year), ordinary income was ¥1,095 million (down 44.0% year on year) and net income amounted to ¥1,010 million (down 44.2% year on year).

The average exchange rate over the current six months was ¥79.82 to the U.S. dollar (an appreciation of ¥9.13 per the U.S. dollar year on year) and ¥113.79 to the euro (an appreciation of ¥0.06 per the euro year on year).

## Business Outlook for Fiscal 2012

Uncertainty over the prospect for a full recovery of the Japanese economy is expected to continue in the foreseeable future due to the continued strengthening of the yen and lower share prices against the background of financial uncertainties in Europe and concerns of an economic downturn in the United States. Overseas situations also hang in the balance due to such factors as financial uncertainties triggered by the financial crisis in Greece and intensifying tensions in North Africa and the Middle East.

Amid such circumstances, although sales in RISO's printing equipment business are expected to remain strong in Japan due to inkjet business growth, the situation is expected to remain difficult in terms of overseas sales. In Europe and the United States, we aim to expand sales by strengthening the development of sales channels. In terms of profits, despite an increase in SG&A expenses due to a rise in amortization of goodwill and research and development expenses, we will work to secure profits by pursuing greater cost efficiency.

With these measures, RISO is forecasting net sales of ¥75,700 million. On the profit side, we are forecasting operating income of ¥3,600 million, ordinary income of ¥3,550 million and net income of ¥3,500 million for fiscal 2012.

The above forecasts are based on exchange rate assumptions of ¥79 to the U.S. dollar and ¥109 to the euro.

RISO will continue to expand the market by offering its own unique products and services as it strives to strengthen its profit-making business model through effective use of management resources.

In closing, I would like to ask our shareholders for their continued support.

December 2011

Akira Hayama  
President & CEO



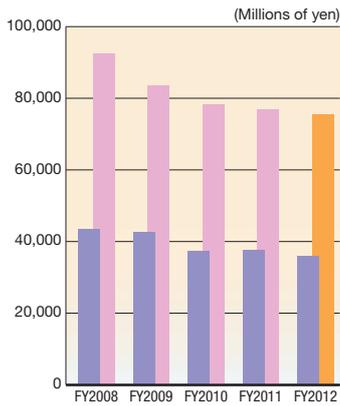
## Financial Highlights (Consolidated basis)

Note: Amounts less than the unit expressed are omitted.

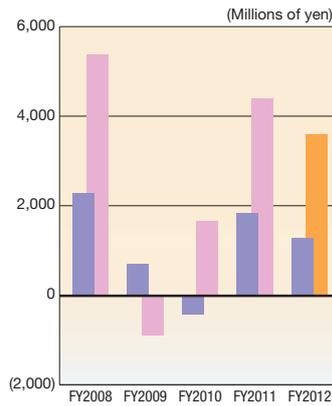
(Millions of yen)

	FY2008		FY2009		FY2010		FY2011		FY2012	
	1st half of FY2008		1st half of FY2009		1st half of FY2010		1st half of FY2011		1st half of FY2012	(Forecast)
Net sales	43,535	92,621	42,627	83,774	37,377	78,469	37,455	76,897	<b>35,944</b>	75,700
Operating income (loss)	2,279	5,397	689	(913)	(431)	1,669	1,848	4,406	<b>1,276</b>	3,600
Ordinary income (loss)	2,358	4,709	883	(695)	(250)	2,113	1,956	4,939	<b>1,095</b>	3,550
Net income (loss)	1,321	1,657	192	(641)	(9,476)	(5,937)	1,812	6,288	<b>1,010</b>	3,500
Net income (loss) per share (Yen)	49.93	62.73	7.38	(24.68)	(368.80)	(231.06)	70.83	247.45	<b>40.39</b>	142.35

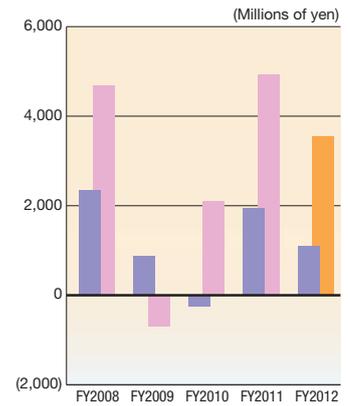
**Net sales**



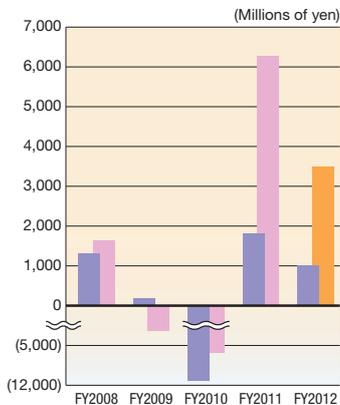
**Operating income (loss)**



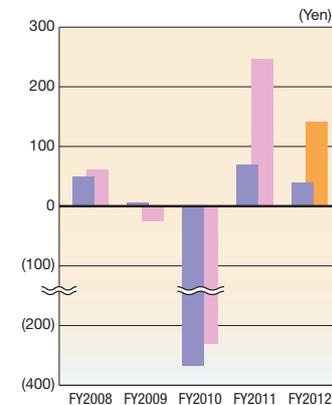
**Ordinary income (loss)**



**Net income (loss)**



**Net income (loss) per share**



■ Interim  
 ■ Annual  
 ■ Annual (Forecast)



## RISO Launches Kamioriki R-92 Fully Automatic Paper Folding Machine Capable of High-speed Processing of Up to 200 Sheets Per Minute

In June 2011, RISO commenced sales of RISO Kamioriki R-92, a fully automatic paper folding machine for the Japanese market. Capable of processing up to 200 sheets per minute, this machine accommodates sheets of a broad range of paper sizes\* and paper quality and can be used for such purposes as direct mail, posting leaflets and informative documents.

Additionally, use of this machine in combination with ORPHIS high-speed color printers or RISOGRAPH digital duplicators can reduce operation time from output to paper folding, and thereby lead to

reduced outsourcing and other costs as well as savings in terms of labor.



RISO Kamioriki R-92 high-speed fully automatic paper folding machine \*Regular paper sizes from A3 to B7.

## Tsukuba Plant Starts Manufacturing ORPHIS Inkjet Printers

RISO is promoting its own development and production of inkjet printers from the current fiscal year following the termination of a joint venture agreement with Olympus Corporation. Accordingly, the Tsukuba Plant in Ibaraki Prefecture began manufacturing inkjet printers in August after fully acquiring the necessary production know-how and establishing the production facilities required for the inkjet printers. To mark the change, a commemorative ceremony was held in August at the Tsukuba Plant, in which President Hayama fastened the last screw on the first ORPHIS machine produced by RISO.



August 2011 commemorative ceremony at the Tsukuba Plant

RISO will continue to give first priority to quality so that customers can use the products with assurance.

## Sustainability Report 2011 Published

RISO published its *Sustainability Report 2011* in Japanese in August 2011. This report conveys in an easy-to-understand way how environmental and social initiatives are reflected in the corporate management. Additionally, this year's report includes pages that briefly summarize the characteristics of our main products and situations in which they are used, so that people who are learning about us for the first time can understand the outline of our activities. Moreover, in the report, some of our employees introduce environmental protection activities in the context of corporate activities such as those in the areas of development, production and logistics.

RISO will continue working to develop products that take the environment into account by balancing the demands of printing job efficiency and reduction of environmental impacts.



*Sustainability Report 2011* features employees introducing environmental protection activities in ways that are easy to understand.

## Relief Money Donated in Response to Disaster Caused by Typhoon No. 12

RISO donated a total of ¥1 million in relief money to aid people affected in the Mie, Nara and Wakayama prefectures, which incurred major damage by Typhoon No. 12 in September 2011.

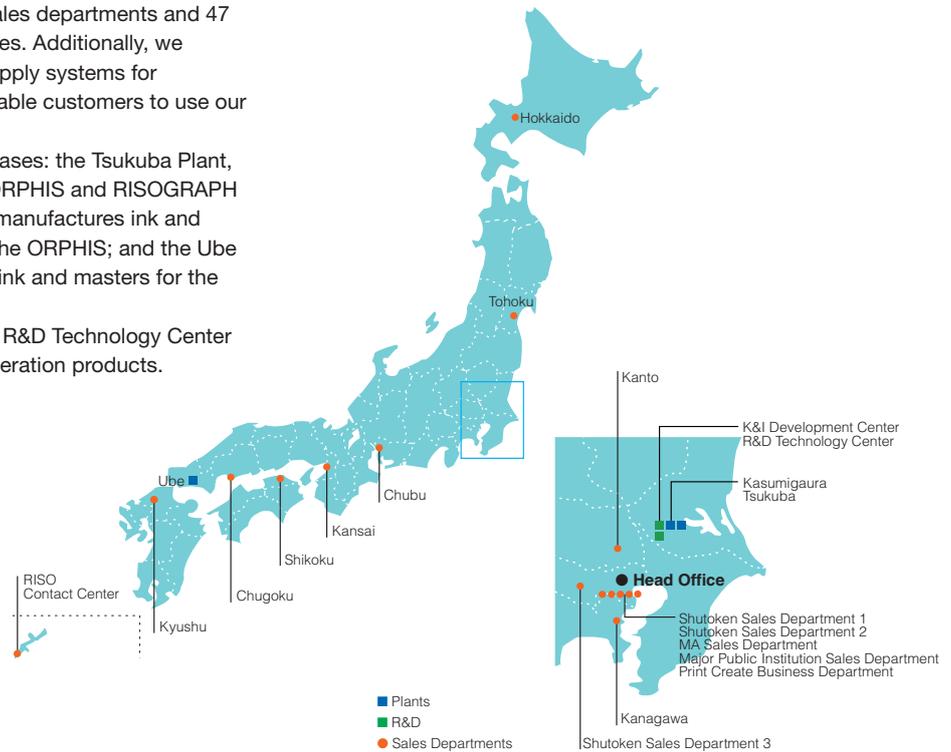


## Facilities in Japan

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

We have three domestic production bases: the Tsukuba Plant, which is engaged in the manufacture of ORPHIS and RISOGRAPH hardware; the Kasumigaura Plant, which manufactures ink and masters for the RISOGRAPH and ink for the ORPHIS; and the Ube Plant, which handles mass production of ink and masters for the RISOGRAPH.

The K&I Development Center and the R&D Technology Center conduct R&D to develop RISO's next-generation products.



## Global Network

Our wide-spanning network, centering on 20 overseas subsidiaries, engages in sales of ORPHIS and RISOGRAPH hardware, provides technical support and also supplies consumables. RISOGRAPH hardware is produced at the manufacturing plant of RISO (CHINA) TECHNOLOGY CO., LTD. in China. Over 3,000 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 AFRICA (PTY) LTD.
- RISO INDUSTRIES (H.K.) LTD.
- RISO (CHINA) TECHNOLOGY CO., LTD.\*
- RISO (SHANGHAI) INTERNATIONAL TRADING CO., LTD.
- RISO HONG KONG LTD.
- RISO (Thailand) LTD.
- RISO INDIA PRIVATE LTD.
- RISO KOREA LTD.



\* RISO TECHNOLOGY ZHUHAI CO., LTD. changed its company name on December 1, 2011.



## Balance Sheets

### ASSETS

(Millions of yen)

Item	FY2011 (As of Mar. 31, 2011)	1st half of FY2012 (As of Sept. 30, 2011)
Current assets	¥49,263	¥42,933
Cash and deposits	13,780	10,862
Notes and accounts receivable—trade	13,881	11,385
Short-term investment securities	4,096	5,213
Inventories	12,933	11,596
Other	5,056	4,308
Allowance for doubtful accounts	(485)	(433)
Noncurrent assets	40,591	39,829
Total property, plant and equipment	28,442	28,188
Buildings and structures, net	6,369	6,300
Machinery, equipment and vehicles, net	937	837
Land	17,139	17,139
Other	3,995	3,910
Intangible assets	7,315	6,917
Goodwill	2,633	2,304
Software	1,552	1,432
Other	3,129	3,181
Investments and other assets	4,833	4,723
Investment securities	1,572	1,473
Other	3,388	3,355
Allowance for doubtful accounts	(126)	(105)
<b>Total assets</b>	<b>¥89,854</b>	<b>¥82,762</b>

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2012 was ¥40,691 million.

### Point 1 Cash and deposits

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



## LIABILITIES

(Millions of yen)

Item	FY2011 (As of Mar. 31, 2011)	1st half of FY2012 (As of Sept. 30, 2011)
Current liabilities	¥22,267	¥18,305
Notes and accounts payable—trade	12,366	9,446
Short-term loans payable	2,160	1,977
Current portion of long-term loans payable	3	3
Other	7,736	6,877
Noncurrent liabilities	5,492	5,316
Long-term loans payable	53	51
Provision for retirement benefits	3,597	3,654
Other	1,841	1,610
<b>Total liabilities</b>	<b>¥27,759</b>	<b>¥23,621</b>

## NET ASSETS

(Millions of yen)

Item	FY2011 (As of Mar. 31, 2011)	1st half of FY2012 (As of Sept. 30, 2011)
Shareholders' equity	¥64,633	¥62,881
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	36,249	35,998
Treasury stock	(511)	(2,011)
Total accumulated other comprehensive income	(2,538)	(3,740)
Valuation difference on available-for-sale securities	(21)	(110)
Foreign currency translation adjustment	(2,516)	(3,630)
Total net assets	¥62,095	¥59,141
<b>Total liabilities and net assets</b>	<b>¥89,854</b>	<b>¥82,762</b>

### Point 2 Notes and accounts payable—trade

Payment to Olympus Corporation was reduced due to in-house manufacturing of ORPHIS products from fiscal 2012.

### Point 3 Treasury stock

A total of 1,081,000 shares of treasury stock amounting to ¥1,499 million were acquired during the first six months of fiscal 2012.

## Statements of Income

(Millions of yen)

Item	1st half of FY2011 (6 months ended Sept. 30, 2010)	1st half of FY2012 (6 months ended Sept. 30, 2011)
<b>Net sales</b>	<b>¥37,455</b>	<b>¥35,944</b>
Cost of sales	18,902	16,623
Gross profit	18,553	19,320
Selling, general and administrative expenses	16,704	18,043
<b>Operating income</b>	<b>1,848</b>	<b>1,276</b>
Non-operating income	464	300
Non-operating expenses	356	481
<b>Ordinary income</b>	<b>1,956</b>	<b>1,095</b>
Extraordinary income	—	338
<b>Income before income taxes and minority interests</b>	<b>1,956</b>	<b>1,433</b>
Income taxes	143	423
<b>Net income</b>	<b>¥ 1,812</b>	<b>¥ 1,010</b>

### Point 4 Net sales

Net sales declined ¥1,511 million versus the same period in the previous fiscal year. Of this amount, the effect of foreign exchange rates amounted to ¥614 million.

### Point 5 Cost of sales and gross profit

Cost of sales decreased and gross profit rose as a result of producing ORPHIS printers in-house.

### Point 6 Selling, general and administrative expenses

Amortization of goodwill and research and development expenses increased due to the acquisition of the inkjet business at the end of the previous fiscal term.

## Statements of Cash Flows

(Millions of yen)

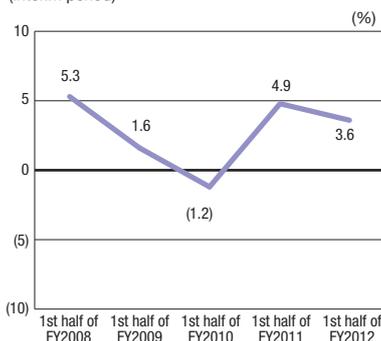
Item	1st half of FY2011 (6 months ended Sept. 30, 2010)	1st half of FY2012 (6 months ended Sept. 30, 2011)
Net cash provided by (used in) operating activities	¥ 3,126	¥ 2,295
Net cash provided by (used in) investing activities	116	(634)
Net cash provided by (used in) financing activities	(3,074)	(2,796)
Effect of exchange rate change on cash and cash equivalents	(597)	(592)
Net increase (decrease) in cash and cash equivalents	(429)	(1,727)
Cash and cash equivalents at beginning of period	17,910	17,130
Cash and cash equivalents at end of period	¥17,481	¥15,402

### Point 7 Net cash provided by (used in) financing activities

Mainly attributable to the acquisition of treasury stock and payment of dividends

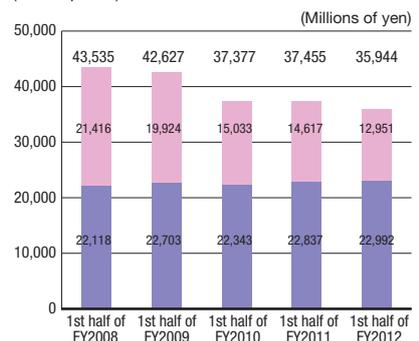
### Operating income margin

(Interim period)



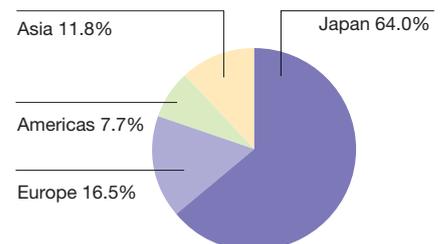
### Net sales

(Interim period)



### Sales by region

(1st half of FY2012)



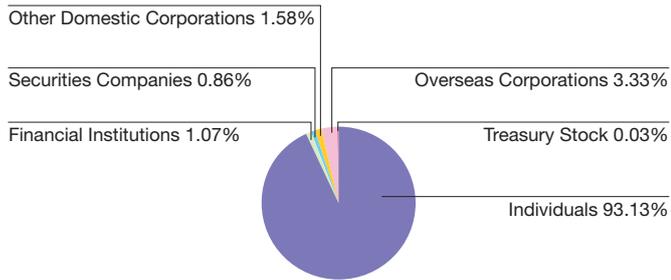


● **Number of shares:** 67,840,000  
(No change from the end of the previous period)

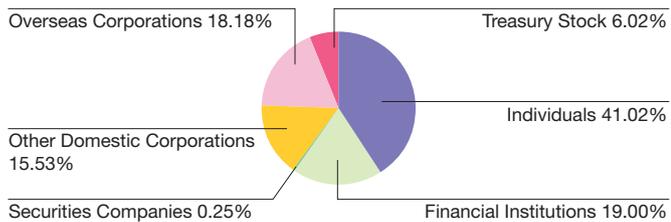
● **Number of shares issued:** 25,703,166  
(No change from the end of the previous period)

● **Number of shareholders:** 3,360  
(An increase of 60 from the end of the previous period)

## ● Breakdown of shareholders by type



## ● Breakdown of stock ownership



## ● Major Shareholders (Top 10 Shareholders)

Shareholder name	Number of shares owned (thousands of shares)	Shareholding ratio (%)
RISO Limited	2,470	9.61
RISO KAGAKU CORPORATION	1,546	6.02
Riso Educational Foundation	1,330	5.18
Northern Trust Company (AVFC) Sub Account American Client	1,300	5.06
Noboru Hayama	1,155	4.50
Akira Hayama	1,040	4.05
RISO KAGAKU CORPORATION Employees' Shareholding Association	996	3.88
Japan Trustee Services Bank, Ltd. (Trust Account)	941	3.66
Osamu Hayama	840	3.27
Takashi Hayama	840	3.27

### Note:

The Company received a copy of the substantial shareholding report (amended report) dated November 8, 2010 from Silchester Partners Ltd. (formerly, Silchester International Investors Ltd.), and its joint shareholder, Silchester International Investors LLP. However, we have not yet verified the number of shares owned by the companies as of the end of the 1st half of fiscal 2012, thus the company names are not included in the above list. Summary details of the substantial shareholding report (amended report) are as follows.

Shareholder name	Number of shares owned (thousands of shares)
Silchester Partners Ltd.	0
Silchester International Investors LLP	3,067

## ● Repurchase of Treasury Stock

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

Number of shares repurchased:	1,081,000 shares
Total repurchased amount:	¥1,499 million

## Corporate Data

(As of September 30, 2011)

<b>Corporate name</b>	RISO KAGAKU CORPORATION
<b>Head office</b>	5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan
<b>Established</b>	September 2, 1946
<b>Incorporated</b>	January 25, 1955
<b>Paid-in capital</b>	¥14,114,985,384
<b>Number of employees</b>	1,743 (3,156 for the RISO Group)
<b>Subsidiaries</b>	25 companies (domestic: 3; overseas: 22)

## Board of Directors and Auditors

(As of September 30, 2011)

<b>President &amp; CEO (Representative Director)</b>	Akira Hayama
<b>Managing Director</b>	Yasuhiro Takahashi
<b>Managing Director</b>	Takashi Kunitani
<b>Director</b>	Kihachiro Endo
<b>Director</b>	Kazuo Abe
<b>Director</b>	Hidenori Fujioka
<b>Director</b>	Yasunobu Takahashi
<b>Director</b>	Masahiro Ueda
<b>Director</b>	Soichiro Hashimoto
<b>Standing Auditor</b>	Kuniaki Yamamoto
<b>Standing Auditor</b>	Kenjuro Yamamoto
<b>Auditor</b>	Yoshinari Iizuka*
<b>Auditor</b>	Shinji Hatta*

Note: "\*" refers to outside auditors, as stipulated under Item 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

5-34-7 Shiba, Minato-ku, Tokyo 108-8385 Japan

Tel: +81(0)3-5441-6661

Fax: +81(0)3-5441-6668

<http://www.riso.co.jp/english/>