

INTERIM REPORT

2008

1st half of fiscal 2008

 RISO KAGAKU CORPORATION

RISO INTERIM REPORT

To Our Shareholders

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.

I am pleased to have this opportunity to present our shareholders with the RISO Interim Report 2008.

During the current fiscal year ending March 31, 2008, we formulated and launched our third medium-term management plan (RISO Vision 10) (see page 3), under which we are striving to achieve further growth focusing on the priority issue of acquiring new customers.

In accordance with this plan, during the interim period, in the digital duplicating business, we strived to expand sales of the RISOGRAPH MZ series of one-pass two-color printers in Japan and other developed countries and actively promoted business for our low-priced RISO CZ series in China and other emerging countries, with these efforts contributing to an increase in unit sales. Nevertheless, sales of consumables in Japan and developed countries overseas were sluggish and RISOGRAPH sales thus declined from the previous year. In our inkjet business, we recorded an increase in sales thanks to growth in sales of consumables along with the ongoing installation of ORPHIS printers, mainly in Japan, Europe, and the United States. These factors, together with the favorable effects of exchange rates, led to an increase in interim sales and profits.

Determined to meet the expectations of our shareholders in the future, we will take on the challenges in new technology domains and make efforts to supply appealing products and services.

Regarding dividends for fiscal 2008, we plan to pay cash dividends per share of ¥40.00. We ask for your continued support in the future.



December 2007

Akira Hayama
President & CEO

Third Medium-term Management Plan “Riso Vision 10”

RISO considers the acquisition of new customers in both the inkjet printing and digital duplicating business of major importance in achieving further growth. In line with this goal, the basic policies of “Riso Vision 10,” scheduled for completion in the fiscal year ending March 31, 2010, are as follows.

Basic Policies

1. Accelerating our hardware installation in the inkjet printing business
2. Gaining new customers in the digital duplicating business
3. Creating new businesses that could be our future core businesses
4. Making investments in development, engineering and manufacturing in anticipation of changes in businesses
5. Creating a corporate culture that will nurture future leaders
6. Increasing corporate value through the promotion of CSR activities

Major Issues to be Addressed in Fiscal 2008

1. Strengthening direct sales and providing RISO dealers with appropriate support
2. Revitalizing overseas subsidiaries and implementing their internal reformation
3. Establishing the foundation for new business
4. Aiming for higher product quality and increased safety in manufacturing operations
5. Establishing and promoting an internal control system



Aiming to Achieve Consolidated Net Sales of ¥100 billion
and Operating Income Margin of 10%

High-speed Digital Printers New Models Launched in the RISOGRAPH RZ Series

In August 2007, RISO launched two new models for the domestic market, the RISOGRAPH RZ670 and the RZ630, as part of its RISOGRAPH RZ series of high-speed digital printers. The RZ670 and RZ630 maintain the chief features of the RISOGRAPH RZ series, namely, high speed and usability, in addition to offering upgraded functions and improved security for a wide range of customer print environments.

Also, these printers incorporate a newly added USB memory* slot (connection port) for sending data directly to the printer. The new models thus enable data to be sent directly in environments with no IT networks, such as at schools and company printing rooms, as well as at places where PCs cannot be directly connected. Fully utilizing the printer's functions in this manner enables sharp, clear printing.

The RZ670 and RZ630 also incorporate new security features. New user authentication functions include "User Management," which allows the printer to be operated only by persons recognized through a password, as well as "ID Print" for setting an authentication function for each file. These security features help prevent information leaks resulting from crucial documents being mixed up, mistakenly picked up by another party, or left behind.

*This is one type of recording medium that reads data and connects directly with PCs and other devices. USB devices are attracting attention as an easy-to-use recording medium used in place of floppy disks.



The RISOGRAPH RZ670 high-speed digital printer features upgraded print functions and improved security.

Indian Subsidiary Commences Operations Striving to Cultivate Markets and Strengthen Sales Channels

In December 2006, we established RISO INDIA PVT. LTD., a subsidiary that subsequently commenced sales activities in April 2007. Operating from its office in central New Delhi, the capital of that country, this subsidiary serves as our base for responding promptly to market changes accompanying the rapid growth of the Indian economy.

Demand is trending upward in tandem with economic growth in India, one of the so-called BRICs countries. In 1997, RISO established a representative office in India to respond to the market. We decided to establish a subsidiary to better address the rising needs for digital printing by schools and government agencies.

RISO INDIA PVT. LTD. has established a locally focused sales structure, with activities centering on sales of digital printers, beginning with the RISO CZ180. By taking this approach, we are able to undertake full-scale initiatives to cultivate the Indian domestic market while also strengthening our sales channels.



Mr. Madan, Managing Director of RISO INDIA PVT. LTD., is striving to cultivate new markets and sales channels through a locally oriented sales structure.

Business Environment and Performance

The RISO Group has been striving to generate further growth, focusing on the key issue of acquiring new customers in the inkjet business (ORPHIS) and digital duplicating business (RISOGRAPH).

In this current consolidated accounting period, which corresponds to the first fiscal year of our third medium-term management plan (RISO Vision 10) running from fiscal 2008 (April 1, 2007 to March 31, 2008) to fiscal 2010 (April 1, 2009 to March 31, 2010), we will carry out management with the following key objectives in mind: “Strengthening direct sales and providing RISO dealers with appropriate support,” “Revitalizing overseas subsidiaries and implementing their internal reformation,” “Establishing the foundation for new business,” “Aiming for higher product quality and increased safety in manufacturing operations,” and “Establishing and promoting and an internal control system.”

In working to attain the first objective of “Strengthening direct sales and providing RISO dealers with appropriate support,” we established a system to provide distributors with know-how on direct sales. Regarding sales of ORPHIS in particular, in Japan we are progressing with the installation of ORPHIS hardware and are building a foundation for the sales of consumables. For our second objective of “Revitalizing

overseas subsidiaries and implementing their internal reformation,” we also reshuffled the management team at our U.S. subsidiary and reviewed personnel expenses and other expenses.

As a result of the preceding activities, together with favorable foreign exchange movements, net sales reached ¥43,535 million (up 2.2% year-on-year). Operating income was ¥2,279 million (down 0.0% year-on-year), recurring income was ¥2,358 million (up 4.8% year-on-year), and net income was ¥1,321 million (up 2.2% year-on-year).

Looking at sales by geographic region during the interim period, domestic sales of ORPHIS consumables advanced steadily, but RISOGRAPH sales decreased and fell below the level recorded in the same period of the previous year. As a result, net sales, including those in the real estate business and others, amounted to ¥22,118 million (down 1.5% year-on-year).

In the Americas, sales of consumables for ORPHIS remained brisk; however, RISOGRAPH sales fell short of the results for the previous year. As a result, net sales totaled ¥6,218 million (down 7.5% year-on-year).

Sales of ORPHIS expanded steadily in Europe, especially in developed nations, but RISOGRAPH sales fell short of the results year-on-year. Consequently, together with the favorable impact of foreign exchange rates, net sales reached ¥9,821 million (up 14.4% year-on-year).

In Asia, sales of RISOGRAPH advanced favorably. Net sales amounted to ¥5,376 million (up 11.3% year-on-year).

Business Outlook for Fiscal 2008

The RISO Group will make its utmost efforts in focusing on the priority issues of the Riso Vision 10 (see page 3) third medium-term management plan. In the ORPHIS business, we will promote greater efficiency of our sales system and boost sales.

In the RISOGRAPH business, we aim to improve profitability and enhance our corporate structure by focusing on sales of high value-added models such as one-pass two-color printers in developed nations and low-price models centering on the CZ series in emerging markets.

For the full fiscal year, we expect to record net sales of ¥94,000 million (up 3.5% year-on-year), operating income of ¥6,520 million (up 21.2% year-on-year), recurring income of ¥6,170 million (up 20.1% year-on-year), and net income of ¥3,840 million (up 29.0% year-on-year).

In the preceding forecast, we use the exchange rate of ¥117 against the U.S. dollar and ¥162 against the Euro.

Financial Highlights (Consolidated basis)

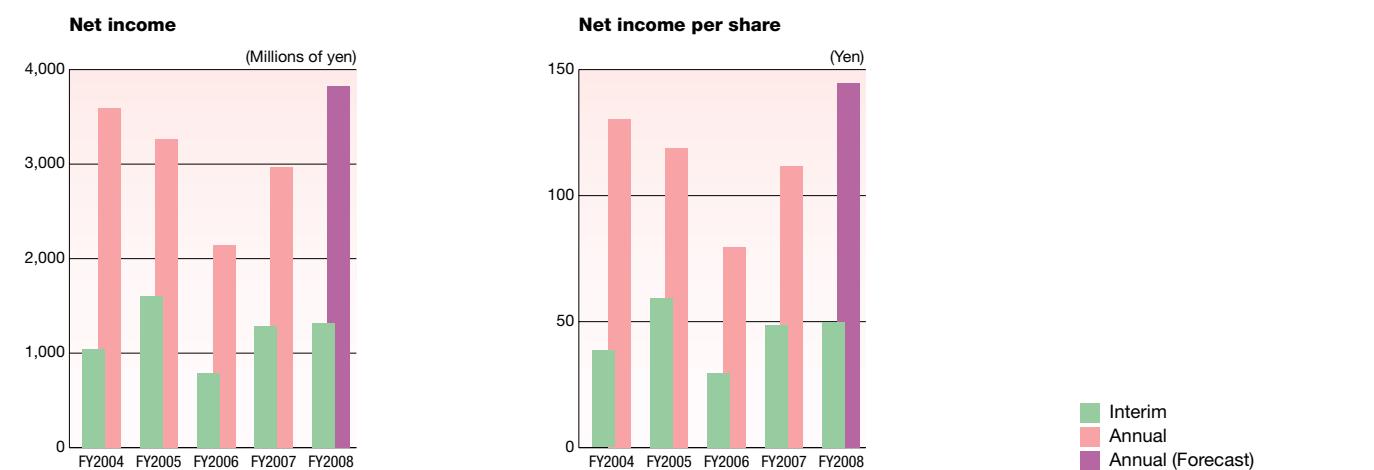
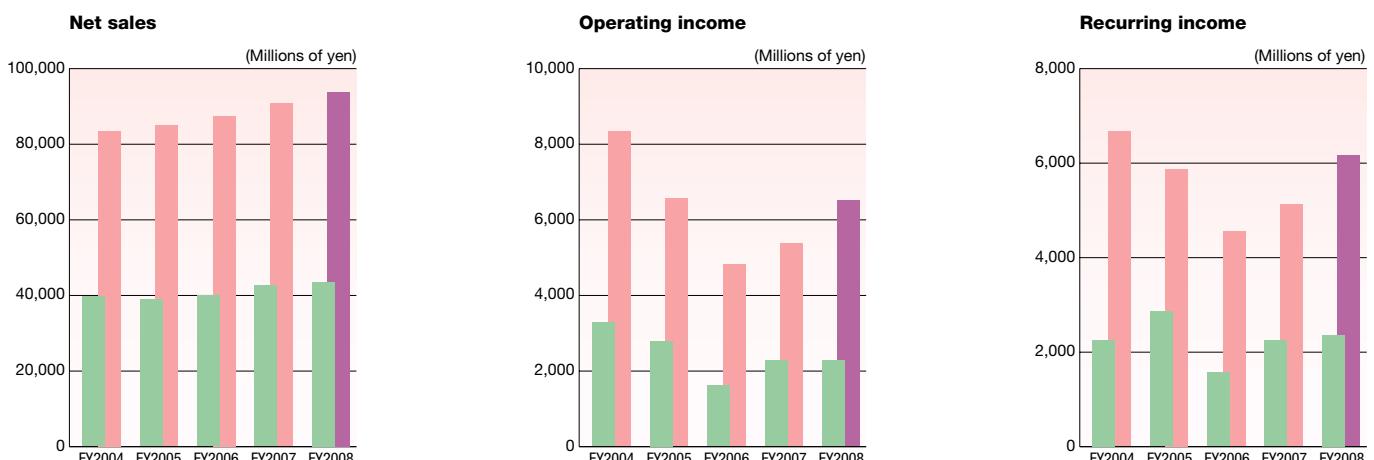
	(Millions of yen)									
	FY2004		FY2005		FY2006		FY2007		FY2008	
	1st half of FY2004		1st half of FY2005		1st half of FY2006		1st half of FY2007		1st half of FY2008 (Forecast)	
Net sales	39,617	83,666	38,932	85,161	40,040	87,601	42,601	90,863	43,535	94,000
Operating income	3,279	8,353	2,792	6,574	1,606	4,812	2,280	5,379	2,279	6,520
Recurring income	2,254	6,680	2,855	5,883	1,556	4,552	2,250	5,139	2,358	6,170
Net income	1,046	3,604	1,609	3,280	792	2,154	1,292	2,977	1,321	3,840
Net income per share (yen)	38.61	130.64	59.37	119.29	29.74	79.76	48.64	112.12	49.93	145.09

Notes:

Amounts less than the unit expressed are omitted.

Effective November 18, 2005, each share of common stock was split into two shares.

Net income per share for the 1st half of fiscal 2004, fiscal 2005 and fiscal 2006 was calculated assuming that the stock split was conducted at the beginning of each term.



Legend:
█ Interim
█ Annual
█ Annual (Forecast)

Balance Sheets

ASSETS

(Millions of yen)

Item	FY2007 (As of Mar. 31, 2007)	1st half of FY2008 (As of Sept. 30, 2007)
Currents assets	¥ 73,619	¥ 67,650
Cash and deposits	29,572	26,819
Notes and accounts receivable	17,570	14,588
Marketable securities	8,040	6,613
Inventories	13,914	15,014
Others	4,760	4,870
Allowance for doubtful receivables	(238)	(255)
Fixed assets	47,430	49,653
Tangible fixed assets	31,296	31,118
Buildings and structures	8,022	7,883
Machinery, equipment and vehicles	1,982	1,924
Land	14,873	14,873
Others	6,418	6,437
Intangible fixed assets	2,459	2,371
Software	1,774	1,720
Others	685	650
Investments and other securities	13,674	16,162
Investment in securities	7,266	9,400
Others	7,215	7,524
Allowance for doubtful receivables	(807)	(762)
Total assets	¥ 121,049	¥ 117,303

Note: Total amount of depreciation of tangible fixed assets for the 1st half of fiscal 2008 was ¥40,926 million.

Point 1

Notes and accounts receivable

Because the last day of the 1st half of fiscal 2008 was a bank holiday, unsettled amounts are included.

Point 2

Marketable securities and Investment in securities

RISO sold marketable securities and purchased investment securities.

LIABILITIES		
Item	FY2007 (As of Mar. 31, 2007)	1st half of FY2008 (As of Sept. 30, 2007)
Currents liabilities	¥ 31,492	¥ 28,910
Notes and accounts payable	15,444	14,825
Short-term loans	5,805	5,125
Long-term bank borrowings due within one year	9	8
Others	10,232	8,951
Long-term liabilities	18,202	17,076
Convertible bonds	14,091	13,286
Long-term bank borrowings	104	112
Others	4,007	3,678
Total liabilities	¥ 49,694	¥ 45,987

NET ASSETS		
Item	FY2007 (As of Mar. 31, 2007)	1st half of FY2008 (As of Sept. 30, 2007)
Shareholders' Equity	¥ 68,557	¥ 68,820
Common stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	42,532	42,794
Treasury stock	(2,868)	(2,869)
Other comprehensive income	2,630	2,315
Net unrealized holding gains or losses on securities	1,706	1,198
Foreign currency translation adjustments	923	1,117
Minority interests	166	179
Total net assets	¥ 71,354	¥ 71,316
Total liabilities, net assets	¥ 121,049	¥ 117,303

Point 3

Notes and accounts payable and Others (Current liabilities)

Because the last day of the 1st half of fiscal 2008 was a bank holiday, unsettled amounts are included.

Point 4

Convertible bonds

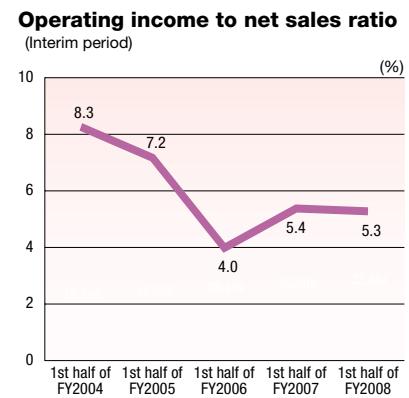
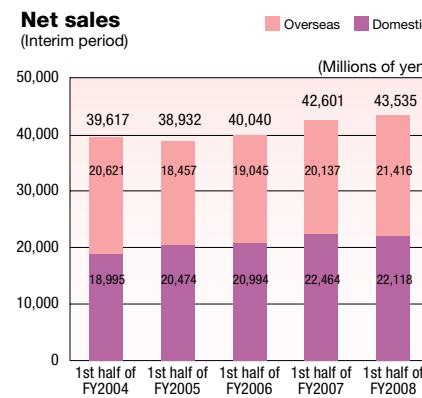
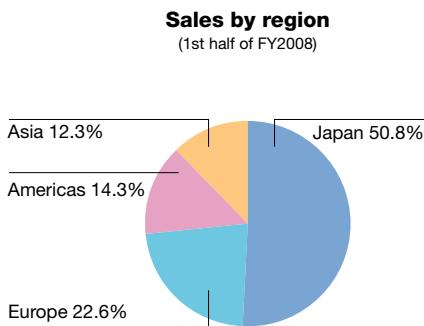
The Company carried out a repurchase and cancellation of convertible bonds.

Statements of Income

Item	1st half of FY2007 (6 months ended Sept. 30, 2006)	1st half of FY2008 (6 months ended Sept. 30, 2007)
Net sales	¥ 42,601	¥ 43,535
Cost of sales	20,635	20,954
Gross profit	21,966	22,580
Selling, general and administrative expenses	19,685	20,300
Operating income	2,280	2,279
Other income	354	448
Other expenses	383	369
Recurring income	2,250	2,358
Extraordinary gain	—	—
Extraordinary loss	—	—
Income before income taxes	2,250	2,358
Corporate income tax and other tax expenses	667	1,046
Corporate income tax and other tax adjustments	285	(22)
Minority interest in net income of consolidated subsidiaries	5	12
Net income	¥ 1,292	¥ 1,321

Statements of Cash Flows

Item	1st half of FY2007 (6 months ended Sept. 30, 2006)	1st half of FY2008 (6 months ended Sept. 30, 2007)
Cash flows from operating activities	¥ 5,549	¥ 2,606
Cash flows from investing activities	(1,608)	(2,092)
Cash flows from financing activities	(1,843)	(2,498)
Effect of exchange rate changes on cash and cash equivalents	78	76
Decrease (Increase) in cash and cash equivalents	2,176	(1,907)
Cash and cash equivalents, beginning of term	32,697	32,667
Cash and cash equivalents, end of term	¥ 34,874	¥ 30,759



Point 5

Net sales

Net sales increased ¥934 million year-on-year. The impact of foreign exchange rates amounted to approximately ¥1,500 million.

Domestic

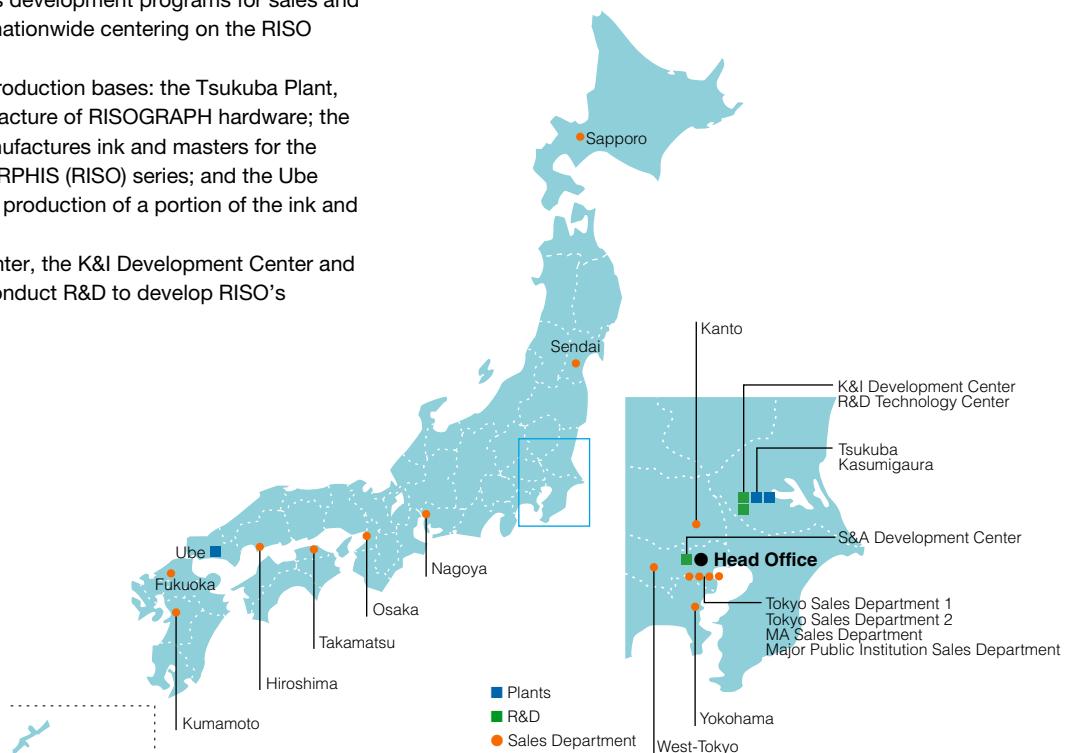
RISO's sales network encompasses 15 sales departments and 48 sales branches as well as sales subsidiaries. Additionally, we provide technological support and develop supply systems for consumables throughout the nation to enable customers to use our products with assurance. Skills development programs for sales and technical staff are carried out nationwide centering on the RISO Education Center.

We have three domestic production bases: the Tsukuba Plant, which is engaged in the manufacture of RISOGRAF hardware; the Kasumigaura Plant, which manufactures ink and masters for the RISOGRAF and ink for the ORPHIS (RISO) series; and the Ube Plant, which handles the mass production of a portion of the ink and masters for the RISOGRAF.

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

◆ Domestic major subsidiaries

RISO VEC CORPORATION
RISO OKINAWA CORPORATION
RISO AGENCY CORPORATION



Head Office



K&I Development Center



R&D Technology Center



Kasumigaura site



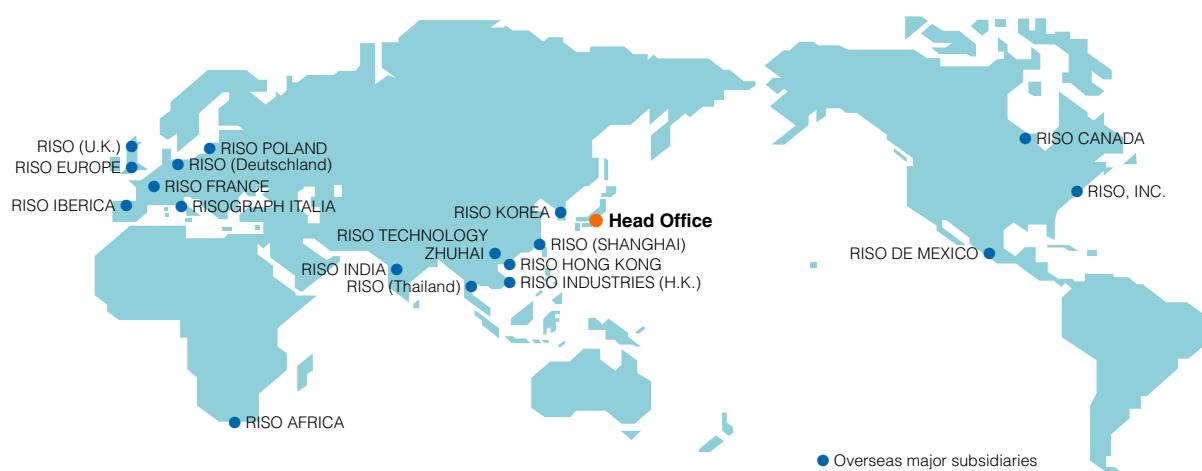
Tsukuba site



Ube site

Overseas

Our wide-spanning network centering on 18 overseas subsidiaries engaged in sales of the RISO HC5500 and RISOGRAPH, provides technological support and also acts as a supply route for consumables. Additionally, RISOGRAPH hardware is produced at the manufacturing plant of RISO TECHNOLOGY ZHUHAI 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.



◆Overseas major subsidiaries

RISO, INC.
RISO CANADA, INC.
RISO DE MEXICO, S.A. de C.V.
RISO EUROPE LTD.
RISO (U.K.) LTD.
RISO (Deutschland) GmbH
RISO POLAND Sp. Zo.o.
RISO FRANCE S.A.
RISO IBERICA, S.A.
RISOGRAPH ITALIA, S.p.A.
RISO AFRICA (PTY) LTD.
RISO HONGKONG LTD.
RISO (Thailand) LTD.
RISO (SHANGHAI)
INTERNATIONAL TRADING
CO., LTD.
RISO TECHNOLOGY ZHUHAI
CO., LTD.
RISO KOREA LTD.
RISO INDUSTRIES (H.K.) LTD.
RISO INDIA PVT. LTD.



RISO, INC. (Boston, U.S.A.)



RISO (Deutschland) GmbH
(Hamburg, Germany)



RISO (Thailand) LTD.
(Bangkok, Thailand)



RISO EUROPE LTD.
(London, U.K.)



RISO FRANCE S.A. (Lyon, France)

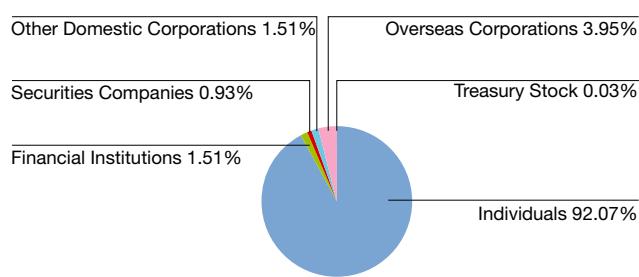


RISO TECHNOLOGY ZHUHAI
CO., LTD. (Zhuhai, China)

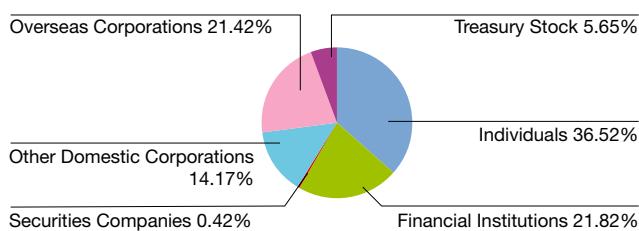
Stock Information (As of September 30, 2007)

Number of shares	67,840,000 (No change from the end of the previous period)
Number of shares issued	28,053,166 (No change from the end of the previous period)
Number of shareholders	2,910 (A decrease of 87 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	8.80
Northern Trust Company (AVFC) Sub Account American Client	1,913	6.81
RISO KAGAKU CORPORATION	1,587	5.65
Noboru Hayama	1,347	4.80
Riso Educational Foundation	1,330	4.74
Akira Hayama	850	3.03
Trust & Custody Services Bank, Ltd. as trustee for the Tokyo Tomin Bank, Ltd.	783	2.79
Retirement Benefit Account re-entrusted by Mizuho Trust and Banking Co., Ltd.		
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	771	2.74
NikkoCiti Trust and Banking Corporation (Trust Account)	765	2.72
RISO KAGAKU CORPORATION Employees' Shareholding Association	756	2.69

Notes:

1. 783 thousand shares owned by the 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. correspond to the number of shares owned by Tokyo Tomin Bank, Ltd. that were contributed to the employee retirement benefit trust.

2. The Company received a copy of the substantial shareholding report (amended report) dated September 30, 2005 from Silchester International Investors Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2008, thus the company name is 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 International Investors Ltd.	1,398

(The number of shares refers to the number prior to the stock split.)

3. The Company received a copy of the substantial shareholding report dated January 15, 2007 from SPARX Asset Management Co., Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2008, thus the company name is not included in the above list. Summary details of the substantial shareholding report are as follows.

Shareholder name	Number of shares owned (thousands of shares)
SPARX Asset Management Co., Ltd.	1,670

4. The Company received a copy of the substantial shareholding report dated May 18, 2007 from AXA Rosenberg Investment Management Ltd. However, we have not yet verified the number of shares owned by the company as of the end of 1st half of fiscal 2008, thus the company name is not included in the above list. Summary details of the substantial shareholding report are as follows.

Shareholder name	Number of shares owned (thousands of shares)
AXA Rosenberg Investment Management Ltd.	1,412

Corporate Data

(As of September 30, 2007)

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	1,621
Subsidiaries	24 companies (domestic: 5; overseas: 19)

Board of Directors and Auditors

(As of September 30, 2007)

President & CEO (Representative Director)	Akira Hayama
Senior Managing Director	Nobuo Kawai
Managing Director	Yasuhiro Takahashi
Managing Director	Takashi Kunitani
Director	Kazuo Abe
Director	Hidetaka Igarashi
Director	Eigo Ishibashi
Director	Yoshitaka Okada
Director	Kihachiro Endo
Director	Yasunobu Takahashi
Standing Auditor	Shogo Hada
Standing Auditor	Takashi Taniguchi
Auditor	Takio Suzuki*
Auditor	Yoshinari Iizuka*

Note: “*” refers to outside auditors, as stipulated under Item 16 of Article 2 of the Corporate Law.



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